

If you are in any doubt as to any aspect in this Circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution licensed to deal in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Units in Yuexiu Real Estate Investment Trust, you should at once hand this Circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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The securities referred to herein have not been and will not be registered under the US Securities Act or the laws of any state or jurisdiction of the United States, and may not be offered or sold within the United States, absent registration or an exemption from the registration requirements of the US Securities Act and applicable state laws. There is no intention to register any portion of the Rights Issue or any securities described herein in the United States or to conduct a public offering of securities in the United States.

越秀房地產投資信託基金 YUEXIU REAL ESTATE INVESTMENT TRUST

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))
(Stock code: 00405)

Managed by

越秀房託資產管理有限公司 YUEXIU REIT ASSET MANAGEMENT LIMITED

CIRCULAR TO UNITHOLDERS IN RELATION TO

- (1) MAJOR AND CONNECTED PARTY TRANSACTIONS RELATING TO ACQUISITION OF YUEXIU FINANCIAL TOWER IN GUANGZHOU;
- (2) PROPOSED RIGHTS ISSUE ON THE BASIS OF THIRTY SEVEN (37) UNITS FOR EVERY ONE HUNDRED (100) UNITS HELD ON RIGHTS ISSUE RECORD DATE AND APPLICATION FOR WHITEWASH WAIVER;
- (3) CONNECTED PARTY TRANSACTIONS IN RELATION TO UNDERWRITING AGREEMENT AND PLACING AGREEMENT;
- (4) MODIFICATION OF CONNECTED PARTY TRANSACTION;
- (5) CONTINUING CONNECTED PARTY TRANSACTIONS; AND
- (6) NOTICE OF EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS

Financial advisers to the Manager



Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee

 SOMERLEY CAPITAL LIMITED

A letter to the Unitholders is set out in pages 33 to 129 of this Circular.

A notice convening the EGM to be held at 10:30 a.m. on 6 December 2021, at Plaza 1-4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong is set out on pages N-1 to N-4 of this Circular. Whether or not you are able to attend and vote at the EGM in person, please complete and return the accompanying form of proxy to the Unit Registrar of Yuexiu Real Estate Investment Trust, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed on the form as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment of that meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

This overview section is qualified in its entirety by, and should be read in conjunction with, the full text of this Circular. Words and expressions not defined herein shall have the same meanings as in the main body of this Circular unless otherwise stated. Meanings of defined terms may be found in the “Definitions” section in this Circular.

The Acquisition involves the proposed investment in Yuexiu Financial Tower (the “Property”) by Yuexiu REIT, together with a number of arrangements relating to the proposed investment, including the proposed Rights Issue. Subject to and conditional upon Acquisition Completion, the Manager will declare a Special Distribution to Unitholders whose names appear on the register of Unitholders as at the Special Distribution Record Date (being 9 December 2021).

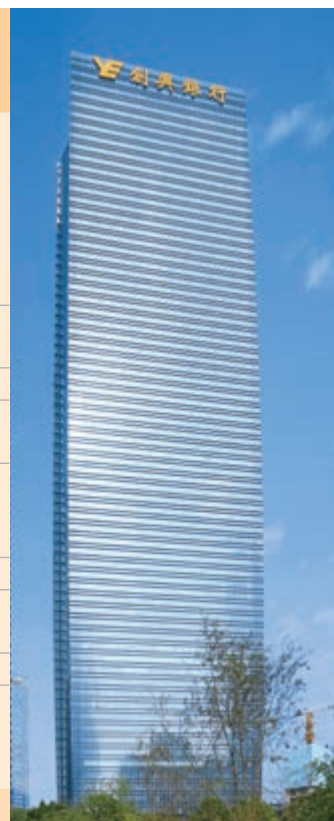


The Acquisition

The Property, known as “Yuexiu Financial Tower (越秀金融大厦)”, is an International Grade A office building, which is one of the ten tallest skyscrapers in Guangzhou and a landmark building strategically located in the Core Area of ZJNT in Guangzhou, Guangdong Province, PRC. Further details regarding the Property are contained in section 3.3 headed “Key information” in this Circular.

The table below sets out a summary of selected information on the Property:

Gross Floor Area (sq.m.)	<ul style="list-style-type: none"> • Rentable area: 170,196.81 <ul style="list-style-type: none"> – Office: 166,378.62 – Retail: 3,818.19 • Carpark and other ancillary areas <ul style="list-style-type: none"> – Carpark: 10,289.05 – Other: 29,797.08
Building Height	<ul style="list-style-type: none"> • approximately 309 metres (68 floors aboveground; 4 floors underground)
Completion Time	<ul style="list-style-type: none"> • August 2015
Occupancy ⁽¹⁾	<ul style="list-style-type: none"> • Office: 93.8% • Retail: 100%
Average rent ⁽²⁾ (RMB/sq.m.) for the month of September 2021	<ul style="list-style-type: none"> • Office: RMB 199.30 • Retail: RMB 223.32
Appraised Value ⁽³⁾	<ul style="list-style-type: none"> • RMB8,030 million
Agreed Acquisition Amount	<ul style="list-style-type: none"> • RMB7,800 million
Carpark Spaces	<ul style="list-style-type: none"> • 827 units
Land Tenure	<ul style="list-style-type: none"> • Office and Carpark Spaces: 50 years (till 15 April 2057) • Retail: 40 years (till 15 April 2047)



Notes:

- (1) As at 30 September 2021.
- (2) Average rent per leased sq.m. is based on current gross (base) rent.
- (3) As at 31 August 2021.



Reasons for and Benefits of the Acquisition

A Landmark Premium Quality Asset Located in the Core Area of ZJNT

The Property is a prime and rare landmark asset located in the Core Area of ZJNT in Guangzhou. It was completed in 2015 and is currently entering into its second lease cycle, implying potential room for unit rent adjustments. Furthermore, the Manager believes that the Property's growth will be supported by the scarcity of office space in the Core Area of ZJNT in the near term and the robust economic growth under the Greater Bay Area and Belt and Road Initiative.



- i. Located in the central axis of the Core Area of ZJNT, the Property is a landmark office building with strategic location
- ii. Superior connectivity and accessibility to various existing and developing metro lines
- iii. High quality tenant base including multinational enterprises and Fortune Global 500 companies
- iv. Award winning design and advanced facilities, such as winning multiple awards including the US Green Building Council LEED EBOM V4 Platinum Certification, the International WELL Building Institute (IWBI) WELL V2 Platinum Pre-certification, and China Construction Engineering Luban Award (National Prime-quality Project)



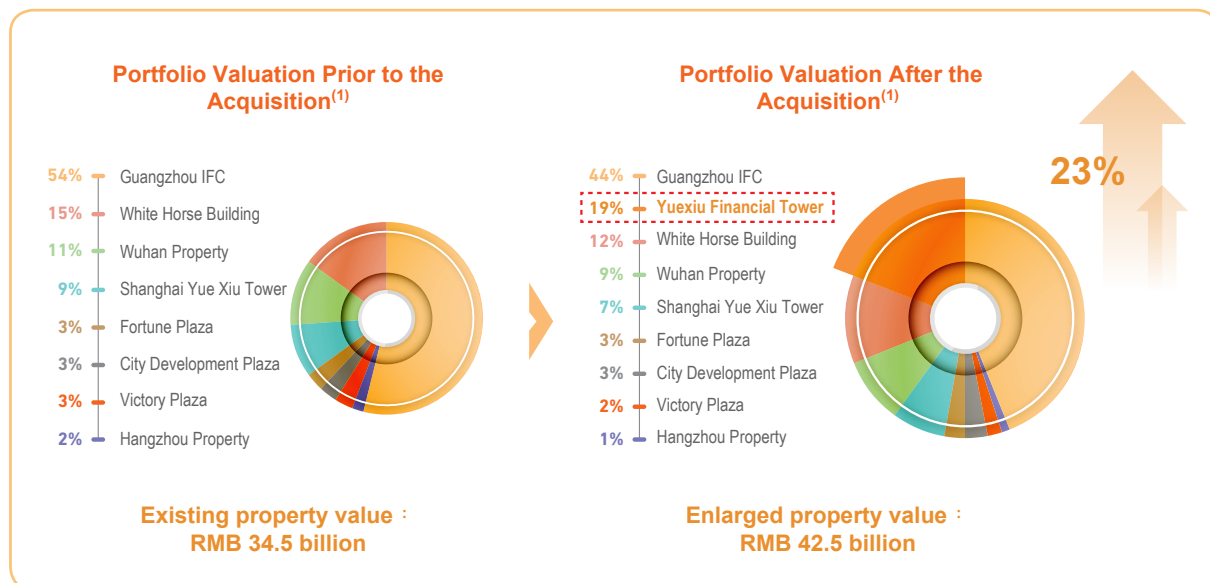
Inclusion of a Rare, Premium Property to Yuexiu REIT's Portfolio

The Property will be Yuexiu REIT's second premium property in the Core Area of ZJNT, seventh office property and ninth property overall. The Property is expected to, on pro forma basis:

- i. Provide an additional source of distributable income, which would increase Yuexiu REIT's portfolio revenue by 24%;
- ii. Reduce reliance on Guangzhou IFC with its contribution to Yuexiu REIT's total portfolio in terms of property valuation expected to reduce from approximately 54% to approximately 44%; and
- iii. Increase Yuexiu REIT's portfolio valuation by approximately 23% and the total gross rentable area by 170,196.81 sq.m. After the Acquisition, Yuexiu REIT's Enlarged Portfolio is expected to be the largest by valuation compared to the PRC portfolios owned by other REITs listed in Hong Kong and Singapore.



The Acquisition is also expected to create operating synergies and cross promotional opportunities between Guangzhou IFC and the Property.



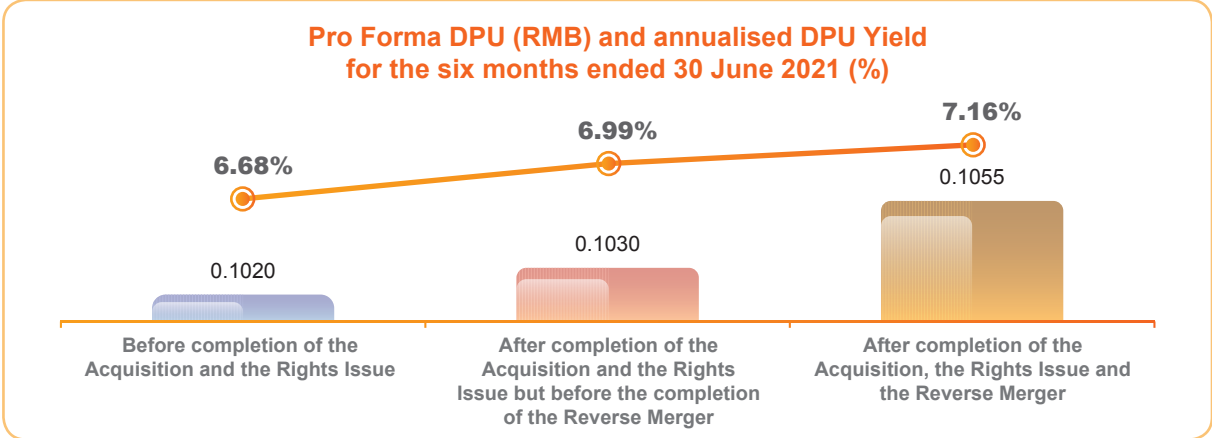
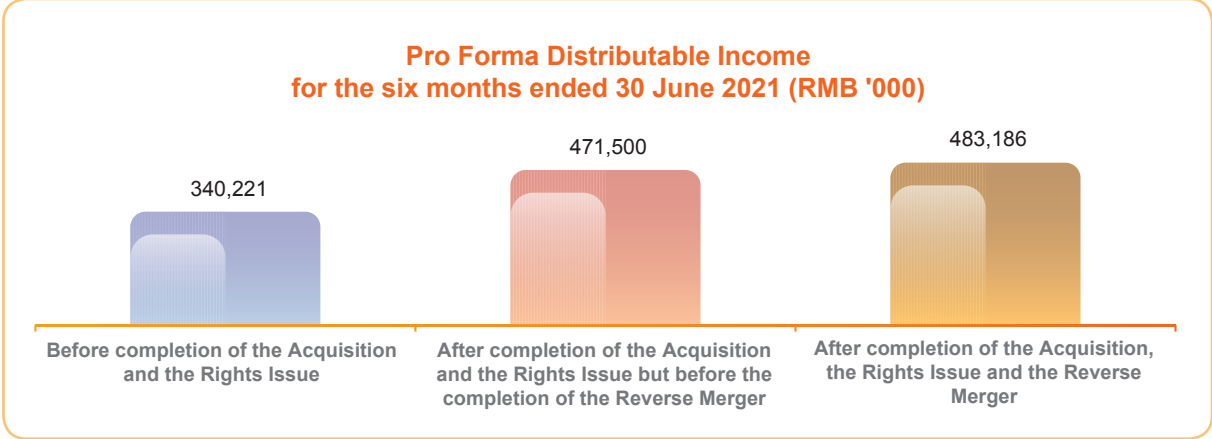
	Existing Properties									The Property	Enlarged Portfolio
Property	Guangzhou IFC	White Horse Building	Wuhan Property	Shanghai Yue Xiu Tower	Fortune Plaza	City Development Plaza	Victory Plaza	Hangzhou Property	Yuexiu Financial Tower		
Type	Commerical Complex	Wholesale Mall	Commerical Complex	Commerical Complex	Grade A Office	Grade A Office	Retail Shopping Center	Grade A Office	International Grade A office		
Gross Floor Area (sq.m.)	457,357	50,199	248,194	62,139	42,764	44,502	27,698	40,148	210,283		1,183,284
Valuation as at 31 August 2021 (RMB million)	18,784	5,089	3,673	3,060	1,256	1,058	954	614	8,030		42,518

Notes:

(1) Based on the valuation of Existing Properties and the Property as at 31 August 2021.

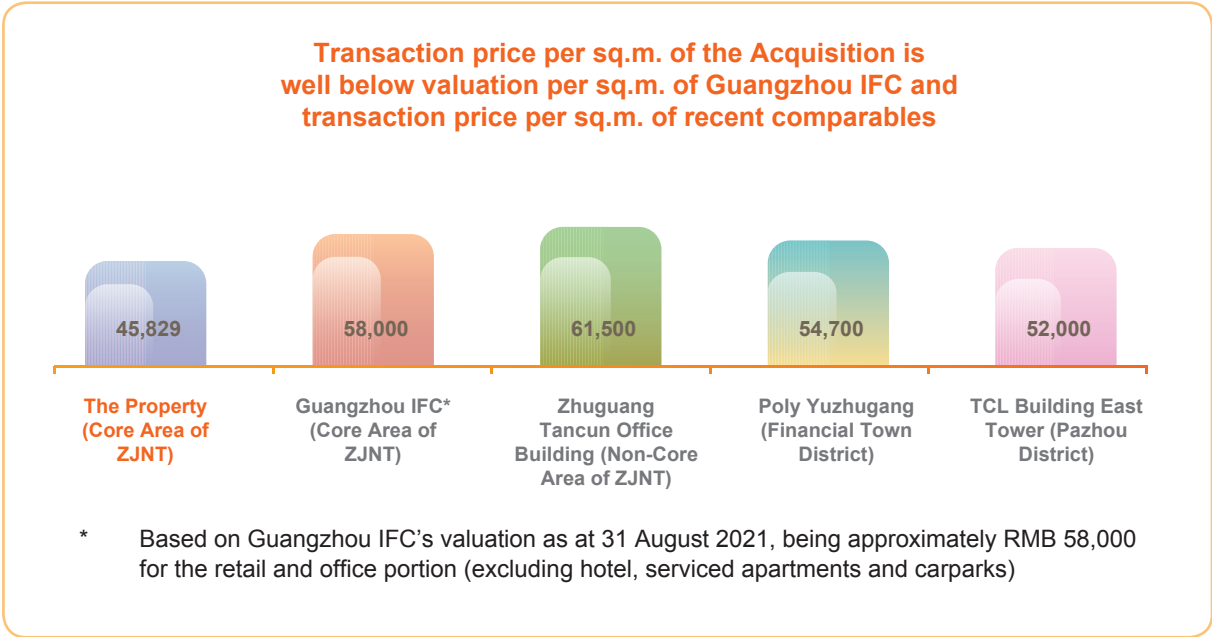
A DPU and DPU Yield Accretive Transaction

The transaction is expected to be DPU and DPU Yield accretive on a pro forma basis. Further details on the pro forma financial effects of the Acquisition and the Rights Issue on the DPU and DPU Yield are set out in section 9.2 headed “Pro forma DPU” in this Circular.



Attractive Transaction Price with Potential Capital Appreciation Upside

The Agreed Acquisition Amount represents a transaction price per sq.m. of RMB45,829 per sq.m. which is significantly lower than the transaction price of RMB61,500 per sq.m. for the sale of Zhuguang Tancun Office Building, which is being considered as the closest and most recent comparable transaction to the Acquisition by the Independent Property Valuer. The transaction price disparity implies a potential for capital appreciation and valuation enhancement to Yuexiu REIT’s portfolio.



Further details of the abovementioned comparable transactions are set out in Appendix 6 to this Circular.

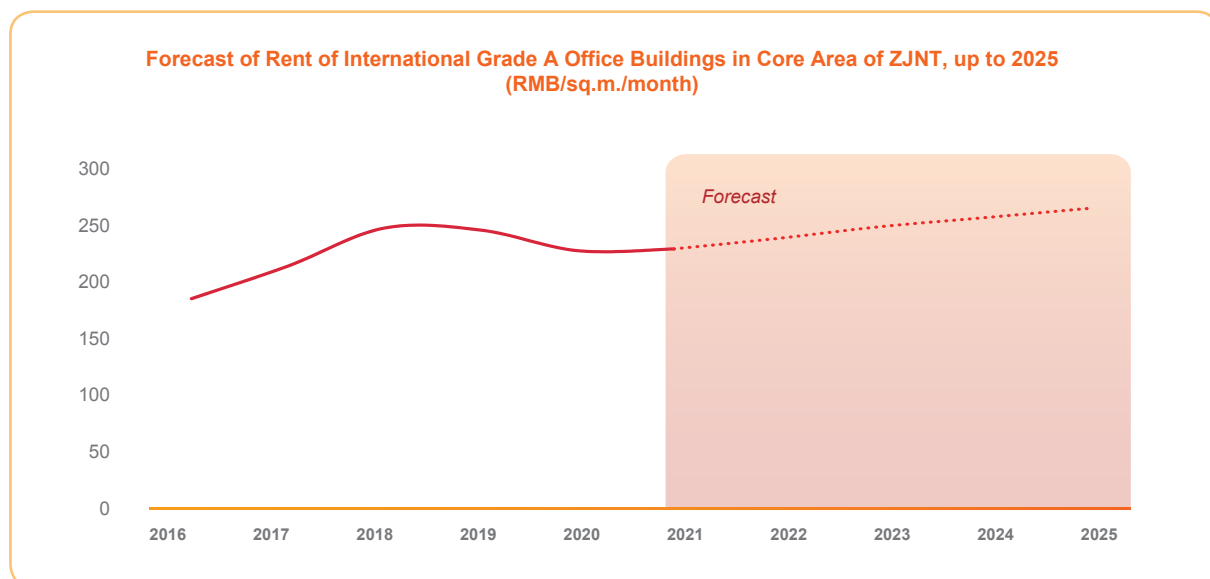
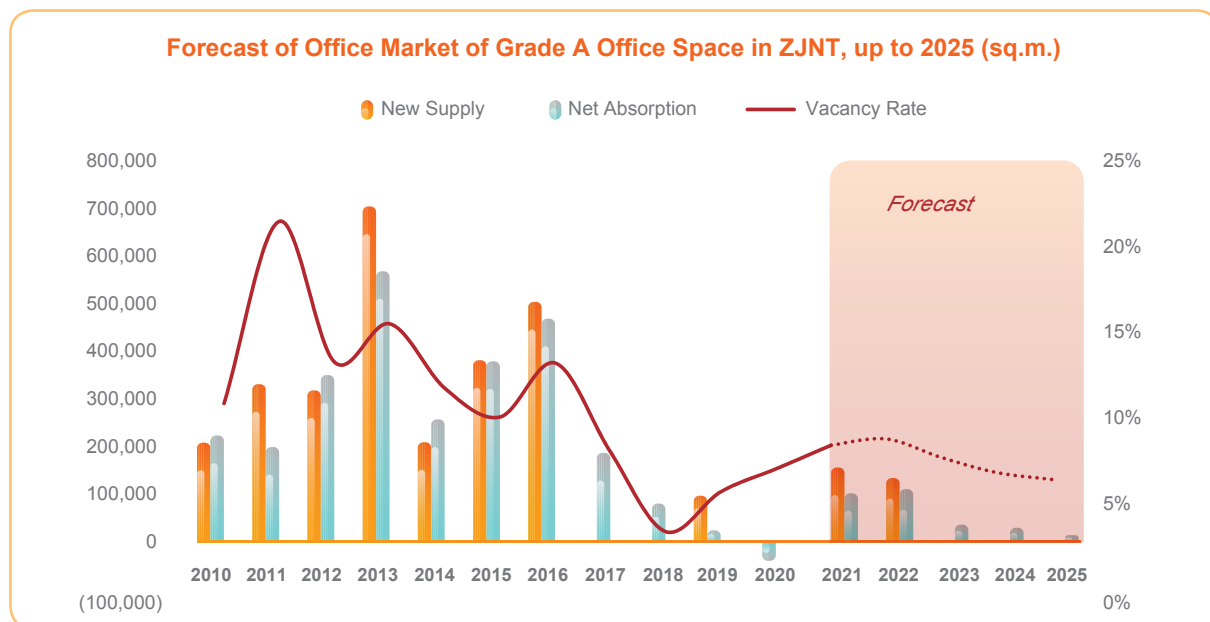
Potential Increase in Market Capitalisation and Improvement in Trading Liquidity

The Acquisition, which will be partly financed by the Rights Issue, is expected to increase the market capitalisation and enhance the overall liquidity of the Units and Yuexiu REIT’s ability to access funding through the public capital markets. The Rights Issue will increase the number of Units in issue by approximately 1,234 million, which is an increase of approximately 37% based on the total number of Units issued as at the Latest Practicable Date. The increase in the total number of Units in issue and publicly traded is expected to improve the trading liquidity of the Units and broaden the Unitholder base of Yuexiu REIT.



Capture Greater Bay Area and Guangzhou’s Robust Economic Fundamentals and Growing Commercial Property Market

The Market Consultant is expecting robust economic growth in Guangzhou supported by policies promoted by the Central People’s Government of the PRC. The Manager believes that the International Grade A office market in the Core Area of ZJNT will benefit from such policies and that the Property is well-positioned to capitalise on the growth fundamentals.



	2021	2022	2023	2024	2025
Forecast of Rent Growth Rate of International Grade A Office Buildings in the Core Area of ZJNT	0.7%	4.0%	4.4%	3.2%	3.2%

For further details, please refer to section 7 headed “Reasons for and Benefits of the Acquisition” in this Circular.



Financing Structure and Gearing Ratio

For illustrative purposes, the Manager intends to finance the Acquisition in the following manner:

SOURCES OF FUNDS	(RMB million)	USE OF FUNDS	(RMB million)
Rights Issue ⁽¹⁾	3,261	Acquisition Consideration ⁽⁴⁾	7,775
New Bank Facility ⁽²⁾	3,752	One-Off Fees and Charges	65
Internal Resources of Yuexiu REIT ⁽³⁾	826		
Total	7,839	Total	7,839

Notes:

- (1) HKD3,919 million (equivalent to approximately RMB3,261 million) shall be paid from the net proceeds of the Rights Issue.
- (2) Up to HKD4,600 million (equivalent to approximately RMB3,828 million) will be financed from the New Bank Facility.
- (3) Approximately HKD992 million (equivalent to approximately RMB826 million) will be paid from internal resources of Yuexiu REIT.
- (4) The Acquisition Consideration of approximately RMB7,775 million is illustrative only and is determined based on the Accountant's Report set out in Appendix 2 to this Circular and the Intercompany Payables expected to be outstanding immediately before Acquisition Completion (being approximately RMB7,800,000,000). For further details, please refer to section 2.2.1 headed "Consideration and payment terms for the Acquisition" in this Circular.

The intended Financing Structure has been determined after taking into consideration, among other things, Yuexiu REIT's working capital sufficiency, optimal level of gearing, financing costs, tenors of various existing indebtedness and dilution of existing Unitholders' ownership interests in Yuexiu REIT.

The Gearing Ratio of Yuexiu REIT is expected to increase from approximately 38.8% as at 30 June 2021 to approximately 41.0% upon Acquisition Completion based on the Unaudited Pro Forma Financial Information of the Enlarged Group in Appendix 4 to this Circular.





Proposed Rights Issue

Should the Transaction Matters Requiring Approval be approved by the Independent Unitholders at the EGM to be held on Monday, 6 December 2021, the Manager proposes to raise approximately HKD3,950 million (before expenses) by issuing 1,234,403,038 Rights Issue Units (on the basis of thirty seven (37) Rights Issue Units for every one hundred (100) existing Units held on the Rights Issue Record Date) at the Rights Issue Subscription Price of HKD3.20 per Rights Issue Unit.

The purpose of the Rights Issue is to:

- i. finance the Acquisition without substantially increasing debt liabilities and resulting in a Gearing Ratio that is close to the borrowing limit permitted under the REIT Code; and
- ii. allow all Rights Issue Qualifying Unitholders to participate in the portfolio development of Yuexiu REIT on equal terms.

For further details of the reasons for the Rights Issue, please refer to the section 5.6 headed “Reasons for the Rights Issue and the New Bank Facility and the use of proceeds” in this Circular.



Key Considerations in Determining the Size of the Rights Issue, the Rights Issue Subscription Price at HKD3.20 and the Underwriting Arrangement

In determining the size of the Rights Issue (on the basis of 37 Units for every 100 Units) and the Rights Issue Subscription Price of HKD3.20, the Manager adopted a combination that would be instrumental in minimising possible NAV dilution upon Acquisition Completion. In addition, the Manager has also taken into account the following:

- i. The Acquisition is expected to result in both DPU and DPU Yield accretion on a pro forma basis for Existing Unitholders, irrespective of their participation in the Rights Issue.
- ii. The Rights Issue Subscription Price of HKD3.20 represents a relatively small discount to the theoretical ex-rights price of the Units, while offering an attractive cost basis for Unitholders to invest in Yuexiu REIT with potential for long-term growth.

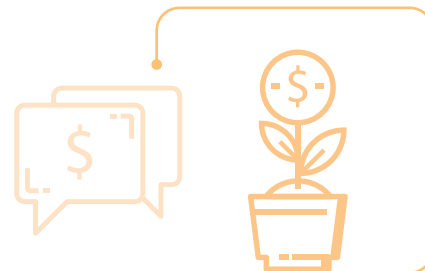


iii. While the Manager had considered entering into underwriting arrangements with third parties, however, it was unable to identify independent third parties who were willing to underwrite the Rights Issue at the Rights Issue Subscription Price, which (together with the size of the Rights Issue) is a key metric to support the Acquisition being DPU and DPU Yield accretive.



iv. Yue Xiu agreed to fully underwrite the Rights Issue without charging any underwriting commission.

v. Together with the provision of Irrevocable Undertakings by Yue Xiu (in respect of 26,366,784 Rights Issue Units) and Yuexiu Property (in respect of 477,213,797 Right Issue Units), the underwriting of Rights Issue signifies their strong support in the long-term growth of Yuexiu REIT and their confidence in the prospects and development of Yuexiu REIT.



For further details, please refer to the section 5.7 headed “Key considerations in determining the size of the Rights Issue, the Rights Issue Subscription Price at HKD3.20 and the underwriting arrangement” in this Circular.



Special Distribution

The Manager will, conditional upon Acquisition Completion, declare a Special Distribution to the Unitholders whose names appear on the register of Unitholders as at the Special Distribution Record Date being 9 December 2021.

The amount of the Special Distribution will be approximately RMB85 million, or RMB0.0255 per Unit, and will be distributed from the existing offshore cash balance of Yuexiu REIT within 30 Business Days after Acquisition Completion.

As the Rights Issue Units and the 2021 Deferred Units will only be issued after the Special Distribution Record Date, they will not entitle their holders to the Special Distribution.



For further details, please refer to the section 8 headed “Declaration of Special Distribution” in this Circular.



Deferred Units Arrangement Modification

To avoid any acceleration of issuance of Deferred Units solely as a result of the Acquisition and the Rights Issue, the Manager has entered into the Second Supplemental Indebtedness Agreement to modify the mechanism for the issuance of Deferred Units under the Indebtedness Agreement (by the addition of the underlined words) such that the number of Deferred Units to be issued each year shall be the lower of:

- (a) the maximum number of Deferred Units that may be issued to Yuexiu Property (or YXP Nominee) which, when aggregated with the Manager Fee Units that are expected to be issued during the period of 12 months after the relevant Deferred Units Issue Date, will not trigger an obligation on the part of Yuexiu Property (and parties acting in concert with it) to make a mandatory general offer under Rule 26 of the Takeovers Code for all Units not already owned or agreed to be acquired by them at the relevant time; and
- (b) 83,000,000 Units (subject to adjustment for consolidation and sub-division of Units).

The Deferred Units Arrangement Modification is conditional upon Independent Unitholders' approval. For further details, please refer to section 10 headed "Modification of Deferred Units Arrangement" in this Circular.



Key Risk Factors

This section only provides a brief description of the risk factors in relation to Yuexiu REIT, the Acquisition, the Property, the real estate industry and the PRC, and investment in the Units. Unitholders should note that the Yuexiu REIT is also subject to risks relating to the political and economic conditions of the PRC (in particular, Guangzhou), risks relating to the Existing Properties, general risks regarding investing in real estate as well as a variety of other commercial, market, financial, legal, regulatory and tax risks. Unitholders should carefully read and consider the risk factors described in Appendix 7 to this Circular.

Risks relating to Yuexiu REIT

1. Adverse global and local macroeconomic conditions could adversely affect Yuexiu REIT's business, financial condition, results of operations and cash flow
2. Acts of God, acts of war, occurrence of epidemics and pandemics and other disasters could affect the operations of Yuexiu REIT and the national and regional economies in the PRC
3. RMB is not freely convertible. There are significant restrictions on the remittance of RMB into and out of the PRC, and the ability of Project Companies to remit RMB to Hong Kong and the ability of Yuexiu REIT to make distributions may be subject to future limitations imposed by the PRC government
4. Fluctuations in the value of RMB could affect the amount of distributions to Unitholders, market value and Unit price
5. Any limitation on the ability of the entities controlled by Yuexiu REIT to make distribution payments could affect Yuexiu REIT's ability to pay distributions to the Unitholders
6. Risks associated with leveraging and limitations on Yuexiu REIT's ability to leverage, Yuexiu REIT's current and future borrowings and dependence on external financing for Acquisition Completion
7. Yuexiu REIT's credit ratings may be subject to change as a result of the financing structure for the Acquisition, which may impact its costs of financing in the future
8. Decreases in property values as a result of the revaluation of the properties could result in a decrease in the annual consolidated net profit of Yuexiu REIT for that year and may also trigger certain events of default which may lead to adverse consequences under certain facility agreements
9. Yuexiu Property is a Substantial Unitholder of Yuexiu REIT. There are potential conflicts of interest between Yuexiu REIT, the Manager and Yuexiu Property
10. Yuexiu REIT's growth depends on external sources of capital which are outside of its control
11. The forward-looking information in this Circular may prove inaccurate

Risks relating to the Acquisition

12. The representations, warranties and indemnities under the Acquisition Deed are subject to limitations, and failure by the Vendor and Yuexiu Property to fulfill its obligations under the Acquisition Deed may have a material adverse effect on Yuexiu REIT's operations
13. In calculating Total Distributable Income, there is no assurance that the Manager will disregard expenses incurred in connection with the Acquisition, as contemplated under its distribution policy, should the Acquisition fail to complete
14. Completion of the Acquisition will depend on external financing
15. The issue of the Rights Issue Units may dilute the ownership interest of existing Unitholders to a substantial degree and adversely affect the market price of the Units
16. The Reverse Merger may not complete before Acquisition Completion or at all

Risks relating to the Property

17. Yuexiu REIT may be unable to renew leases, lease vacant space or re-lease space as Property leases expire
18. The Project Companies may face difficulties when they seek to extend the term of land use rights upon expiry of the term of such land use rights
19. The due diligence survey on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies
20. Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow
21. The Property is subject to concentration risk. The departure of major tenants at the Property may have a material adverse effect on Yuexiu REIT's business, financial condition and results of operations
22. The Property is exposed to the risk of tenant delinquency and default in the overall office property market in Guangzhou
23. The appraisal of the Property is based on various assumptions and the price at which Yuexiu REIT is able to sell its entire interest in the Property may be different from the Appraised Value or the Agreed Acquisition Amount
24. The Property may be compulsorily acquired or expropriated by the PRC government

Risks relating to the real estate industry and the PRC

25. There are general risks attached to investments in real estate and the Property
26. Yuexiu REIT may be adversely affected by the illiquidity of property investments
27. Yuexiu REIT may suffer material losses in excess of insurance proceeds
28. Changes in the PRC's economic, political and social conditions as well as governmental policies could affect Yuexiu REIT's business
29. It may be difficult to enforce judgements obtained from non-PRC courts in the PRC
30. Uncertainties with respect to the PRC legal system could limit the protections available to Yuexiu REIT
31. Accounting standards in the PRC are subject to change

Risks relating to investment in the Units

32. The net asset value per Unit will be diluted if further issues of the Units are priced below the then net asset value per Unit

Warning of the Risks of Dealing in the Rights Issue Units and Nil-paid Rights Issue Units

The Units will be dealt with on an ex-rights basis from Friday, 10 December 2021. Dealings in the nil-paid Rights Issue Units are expected to take place from Tuesday, 21 December 2021 to Friday, 31 December 2021 (both days inclusive). Unitholders and potential investors of Yuexiu REIT should note that if the conditions to the Rights Issue (please refer to the section 5.2.15 headed "Conditions of the Rights Issue" in this Circular) are not satisfied, the Rights Issue will not proceed and consequently the Acquisition will not proceed.

Any Unitholders or potential investors dealing in the Units and/or the Rights Issue Units in their nil-paid form up to the date on which all the conditions of the Rights Issue are fulfilled will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

Unitholders and potential investors are advised to exercise caution when dealing in the Units and/or the Rights Issue Units in their nil-paid form. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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越秀房地產投資信託基金

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(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))
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越秀房託資產管理有限公司

YUEXIU REIT ASSET MANAGEMENT LIMITED

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Financial advisers to the Manager



Independent Financial Adviser to the Independent Board Committee,
the Independent Unitholders and the Trustee



SOMERLEY CAPITAL LIMITED

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It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder by written notice no later than the time of the EGM. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue and the Acquisition will not proceed, despite the relevant resolutions being passed at the EGM.

PRECAUTIONARY MEASURES FOR THE EGM

Please see page 1 of this document for measures being taken to try to prevent and control the spread of the coronavirus disease 2019 ("COVID-19") at the extraordinary general meeting, including:

- compulsory wearing of face masks and attendees who do not wear face masks may be requested to leave or denied entry into the extraordinary general meeting venue
- scanning of the "LeaveHomeSafe" venue QR code or registering contact details in written form
- compulsory hand sanitizing at the entrance of extraordinary general meeting venue
- compulsory body temperature checks at the entrance of the extraordinary general meeting venue
- no distribution of refreshments and gift coupons

The Manager wishes to remind Unitholders that they may, by using proxy forms with voting instructions inserted, appoint the Chairman of the meeting as their proxy to vote on the relevant resolutions at the extraordinary general meeting as an alternative to attending the extraordinary general meeting in person. Completion and return of the proxy forms will not preclude the Unitholders from attending and voting in person at the meeting or any adjournment thereof should they subsequently so wish, and in such case, the proxy forms previously submitted shall be deemed to be revoked.

13 November 2021

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PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing COVID-19 pandemic and recent recommendations for prevention and control of its spread, the Manager will implement the following precautionary measures at the EGM to protect attending Unitholders, staff and other persons from the risk of infection:

- (i) all attendees must wear face masks inside the EGM venue at all times and the attendees who do not wear face masks may be requested to leave or denied entry into the EGM venue;
- (ii) all attendees must scan the “LeaveHomeSafe” venue QR code or register his/her name, contact number and the date and time of visit, prior to entering the EGM venue;
- (iii) all attendees must wash their hands with alcohol-based hand sanitizer before entering the EGM venue;
- (iv) compulsory body temperature checks will be conducted on all attendees at the entrance of the EGM venue. Any person with a body temperature of over 37.2 degrees Celsius may be denied entry into the EGM venue or be required to leave the EGM venue; and
- (v) no refreshments or gift coupons will be distributed.

To the extent permitted under law, the Manager reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the health and safety of the attendees at the EGM.

In the interest of all stakeholders’ health and safety and in view of the recent COVID-19 guidelines for prevention and control, the Manager wishes to remind all Unitholders that physical attendance at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Unitholders may appoint the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person. Completion and return of the proxy forms will not preclude the Unitholders from attending and voting in person at the meeting or any adjournment thereof should they subsequently so wish, and in such case, the proxy forms previously submitted shall be deemed to be revoked.

The proxy form is attached to this Circular for Unitholders who opt to receive physical circulars. Alternatively, the proxy form can be downloaded from the “Investor Relations” section of Yuexiu REIT’s website at <http://www.yuexiureit.com> and the Stock Exchange’s website at www.hkexnews.hk. If you are not a registered Unitholder (if your Units are held via banks, brokers or custodians), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of a proxy.

If Unitholders choosing not to attend the EGM in person have any questions about the relevant resolutions, or about Yuexiu REIT or any matters for communication with the Board, they are welcome to contact the Manager via the following means:

Email: yxft.ir@yuexiureit.com

Tel: (852) 2593 2385

Fax: (852) 2519 6473

INFORMATION IN RELATION TO THE PARTIES INVOLVED

Yuexiu REIT	Yuexiu Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO subject to applicable conditions from time to time
Manager	Yuexiu REIT Asset Management Limited (in its capacity as the manager of Yuexiu REIT) 17B, Yue Xiu Building 160 Lockhart Road Wanchai Hong Kong
Directors of the Manager	<i>Executive Directors:</i> Mr. Lin Deliang (<i>Chairman</i>) Ms. Ou Haijing <i>Non-executive Directors:</i> Mr. Li Feng Mr. Zeng Zhizhao <i>Independent Non-executive Directors:</i> Mr. Chan Chi On, Derek Mr. Chan Chi Fai, Brian Mr. Cheung Yuk Tong Mr. Chen Xiaou
Trustee	HSBC Institutional Trust Services (Asia) Limited (in its capacity as the trustee of Yuexiu REIT) 1 Queen's Road Central Hong Kong
Unit Registrar	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Legal Advisers to the Manager	<i>As to Hong Kong law:</i> Baker & McKenzie 14th Floor, One Taikoo Place 979 King's Road Quarry Bay Hong Kong

INFORMATION IN RELATION TO THE PARTIES INVOLVED

As to PRC law:

King & Wood Mallesons
17th Floor, One ICC, Shanghai ICC
999 Middle Huai Hai Road
Xuhui District
Shanghai, PRC

Legal Advisers to the Trustee

As to Hong Kong law:

Bryan Cave Leighton Paisner LLP
25th Floor, Dorset House
Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

Reporting Accountant

PricewaterhouseCoopers Limited
22nd Floor, Prince's Building
10 Chater Road
Central
Hong Kong

Financial Advisers to the Manager

Standard Chartered Bank (Hong Kong) Limited
32nd Floor, Standard Chartered Bank Building
4-4A Des Voeux Road Central
Hong Kong

DBS Asia Capital Limited
73rd Floor, The Center
99 Queen's Road Central
Central
Hong Kong

Citigroup Global Markets Asia Limited
50/F Champion Tower
3 Garden Road, Central
Hong Kong

**Independent Financial Adviser to
the Independent Board
Committee, the Independent
Unitholders and the Trustee**

Somerley Capital Limited
20/F China Building
29 Queen's Road Central
Central
Hong Kong

INFORMATION IN RELATION TO THE PARTIES INVOLVED

Market Consultant

Cushman & Wakefield Limited
27/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

Independent Property Valuer

Colliers International (Hong Kong) Limited
Suite 5701, Central Plaza
No. 18 Harbour Road
Wanchai, Hong Kong

Building Consultant

Savills Project Consultancy Limited
Room 805-13
Cityplaza One
1111 King's Road
Taikoo Shing, Hong Kong

DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated. Also, where terms are defined and used in only one section of this document, those defined terms are not included in the table below:

2012 Circular	the circular dated 30 June 2012 issued by Yuexiu REIT to Unitholders in respect of, among other things, the acquisition of Guangzhou IFC
2020 Extended Waiver	has the meaning ascribed to this term in section 11.1 headed “Continuing Connected Party Transactions — Background”
2021 Deferred Units	the deferred units to be issued by Yuexiu REIT to Yuexiu Property (or its nominee) on 31 December 2021 in accordance with the Indebtedness Agreement for settlement of the balance of the Guangzhou IFC Consideration, which is more fully described in the 2012 Circular
2021 Interim Distribution	the interim distribution payable to the Unitholders at HKD0.1227 in respect of the period from 1 January 2021 to 30 June 2021 (both days inclusive)
Accountant’s Report	the accountant’s report set out in Appendix 2 to this Circular in respect of the Target Group
Acquisition	the proposed acquisition by Yuexiu REIT (through the Purchaser) of the Property from the Vendor through the purchase of the Sale Shares pursuant to the Acquisition Deed
Acquisition Completion	completion of the Acquisition pursuant to the Acquisition Deed, as more particularly described in section 2.2.4 headed “The Acquisition — Key terms of the Acquisition Deed — Completion of the Acquisition”
Acquisition Completion Date	the date on which Acquisition Completion takes place
Acquisition Conditions	has the meaning ascribed to this term in section 2.2.3 headed “The Acquisition — Key terms of the Acquisition Deed — Conditions precedent under the Acquisition Deed”
Acquisition Consideration	has the meaning ascribed to this term in section 2.2.1 headed “The Acquisition — Key terms of the Acquisition Deed — Consideration and payment terms for the Acquisition”
Acquisition Deed	the deed in respect of the Acquisition dated 24 October 2021 and entered into between the Purchaser, the Vendor and Yuexiu Property
Additional EIT Withheld Amount	has the meaning ascribed to this term in section 2.2.2 headed “The Acquisition — Key terms of the Acquisition Deed — EIT Segregated Account”

DEFINITIONS

Adjustments	the accounting adjustments which are charged or credited to the profit and loss account for the relevant financial year of Yuexiu REIT, including: (i) the effects of unrealised property valuation gains, including reversals of impairment provisions; (ii) realised gains on the disposal of properties; (iii) fair value gains on financial instruments; (iv) deferred tax charges/credits in respect of property valuation movements; (v) other material non-cash gains; (vi) expenses paid out of the Deposited Property in connection with the issue of new Units; and (vii) any adjustments in accordance with the generally accepted accounting principles in Hong Kong which increase those recorded under generally accepted accounting principles in the PRC on which the accounts of cash available for distribution is based (including reversal of depreciation charge on investment properties)
Agreed Acquisition Amount	has the meaning ascribed to this term in section 2.2.1 headed “The Acquisition — Key terms of the Acquisition Deed — Consideration and payment terms for the Acquisition”
Announcement	the announcement of Yuexiu REIT dated 24 October 2021 relating to, among other things, the Acquisition and the Rights Issue
Appraised Value	RMB8,030 million, being the value of the Property as at 31 August 2021 as appraised by the Independent Property Valuer
associate	has the meaning ascribed to this term in the REIT Code
Audit Committee	the audit committee of the Manager
Board	the board of Directors
Building Consultant	Savills Project Consultancy Limited, an independent third party
Bulletin 7	the Tax notice issued by the PRC State Administration of Taxation titled “State Administration of Taxation’s Bulletin on Several Issues of Enterprise Income Tax on Income Arising from Indirect Transfers of Property by Non-resident Enterprises (State Administration of Taxation Bulletin [2015] No. 7) (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》(國家稅務總局公告2015年第7號))”, as may be amended or supplemented from time to time and including any similar or replacement notice or law on the PRC tax treatment of offshore indirect transfers of property of an “establishment or place” situated in the PRC, real estates situated in the PRC, equity interests in PRC resident enterprises and any other property directly held by a non-resident enterprise and whose transfer results in enterprise income tax liability for the non-resident enterprise in accordance with the provisions of the Enterprise Income Tax Law of the PRC, including any applicable laws in the PRC against the avoidance of the PRC tax

DEFINITIONS

Business Day	any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between the hours of 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general business in Hong Kong
BVI	British Virgin Islands
Carpark Master Lease Agreement	has the meaning ascribed to this term in section 3.9.2(d) headed “The Property — Management strategy — Management of the Property — Carpark Master Lease Agreement”
Carpark Master Lessee	Guangzhou Huicheng Industry Development Company Limited* (廣州匯城實業發展有限公司), a limited liability company incorporated in the PRC. As at the date of this Circular, the Carpark Master Lessee is an indirect wholly-owned subsidiary of Yuexiu Property. As Yuexiu Property also directly wholly-owns the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield), the Carpark Master Lessee is a fellow subsidiary (and hence an associate) of the Manager and Dragon Yield and therefore a connected person of Yuexiu REIT
Carpark Spaces	has the meaning ascribed to this term in section 3.1 headed “The Property — Description”
CAS	the Basic Standard of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006 and specific standards and other relevant regulations issued thereafter
CCASS	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
CCPT Matters Requiring Approval	the Connected Leasing Transactions under the Yuexiu Leasing Framework Agreement and the proposed annual caps applicable thereto for the financial years ending 31 December 2022 and 31 December 2023
CCPT Waiver Circular	has the meaning ascribed to this term in section 11.1 headed “Continuing Connected Party Transactions — Background”

DEFINITIONS

Chong Hing Bank	Chong Hing Bank Limited, a limited liability company incorporated in Hong Kong which was previously listed on the Main Board of the Stock Exchange (former stock code: 01111) prior to being delisted from the Stock Exchange in September 2021
Citizens Passage	has the meaning ascribed to this term in section 3.6.2 headed “The Property — Due diligence review — Citizens Passage”
Compensatory Arrangements	the arrangement involving the placing of the Placing Units, if any, by the Placing Agents on a best effort basis pursuant to the Placing Agreement in accordance with Rule 7.21(1)(b) of the Listing Rules
Completion Statement	the combined statement of financial position and combined statement of comprehensive income of the Target Group as at the close of business on the Acquisition Completion Date, which will be prepared and delivered by the Purchaser and agreed by the Vendor, the Purchaser and the Manager within two days of the Vendor’s receipt thereof and, failing such agreement, audited by PricewaterhouseCoopers or such other auditors appointed by the Vendor or the Purchaser
Connected Lease(s)	has the meaning ascribed to this term in section 3.8.2 headed “The Property — Lease agreements — Connected Leases in respect of the Property”
Connected Leasing Transaction(s)	has the meaning ascribed to this term in section 11.2.1 headed “Continuing Connected Party Transactions — Non-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group — Yuexiu Leasing Framework Agreement”
connected person	has the meaning ascribed to this term in the REIT Code
Connected PMA(s)	has the meaning ascribed to this term in section 11.3.1 headed “Continuing Connected Party Transactions — Fully-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group — Yuexiu Property Management Framework Agreement”
Connected Tenant(s)	has the meaning ascribed to this term in section 3.8.2 headed “The Property — Lease agreements — Connected Leases in respect of the Property”

DEFINITIONS

Connected TSA(s)	has the meaning ascribed to this term in section 11.2.2 headed “Continuing Connected Party Transactions — Non-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group — Yuexiu Tenancy Services Framework Agreement”
Core Area of ZJNT	the central business district of Zhujiang New Town, which is more particularly demarcated in the Market Consultant Report
COVID-19	the coronavirus disease 2019
Deferred Offshore Repayment Amount	has the meaning ascribed to this term in section 2.2.1 headed “The Acquisition — Key terms of the Acquisition Deed — Consideration and payment terms for the Acquisition”
Deferred Unit(s)	the deferred Unit(s) to be issued by Yuexiu REIT to Yuexiu Property (or its nominee) for settlement of the balance of the Guangzhou IFC Consideration, which is more fully described in the 2012 Circular
Deferred Units Adjustment Events	the events that would cause the Deferred Units Issue Price to be adjusted under the Indebtedness Agreement, namely consolidation, sub-division or reclassification of the Units and rights issues of Units or other securities (including open offers and options) at a discount greater than 10% of the Relevant Market Price
Deferred Units Arrangement Modification	the modification to the mechanism relating to the number of Deferred Units to be issued under the Indebtedness Agreement, as more particularly described in section 10 headed “Modification of Deferred Units Arrangement”
Deferred Units Issue Date	each of the dates on which the Deferred Units are issued, being 31 December of each year commencing from 31 December 2016 until the Deferred Units have been fully issued
Deferred Units Issue Price	being HKD4.00, subject to adjustments for Deferred Units Adjustment Events
Deferred Units Issue Price Adjustment	the adjustment to the Deferred Units Issue Price in respect of the Deferred Units to be issued following Rights Issue Completion, as more particularly described in section 10.2 headed “Modification of Deferred Units Arrangement — Adjustments to Deferred Units Issue Price”

DEFINITIONS

Deposited Property	all the assets of Yuexiu REIT, including the Existing Properties held in Yuexiu REIT's portfolio and, after Acquisition Completion, the assets of the Target Group
Designated Uses	has the meaning ascribed to this term in section 3.6.1 headed "The Property — Due diligence review — Non-conforming uses of certain premises"
Director(s)	director(s) of the Manager
DPU	distribution per Unit
DPU Yield	means DPU, on an annualised basis, divided by the market price of a Unit (either the closing price per Unit as quoted by the Stock Exchange or otherwise defined)
Dragon Yield	Dragon Yield Holding Limited, a BVI business company incorporated in the BVI and which is directly wholly-owned by Yuexiu Property and is a Substantial Unitholder of Yuexiu REIT holding approximately 35.1% of the issued Units
EGM	the extraordinary general meeting of Unitholders convened by and referred to in the EGM Notice
EGM Notice	the notice included in this Circular in respect of the EGM to consider and, if thought fit, approve the Matters Requiring Approval
EGM Record Date	Monday, 6 December 2021, being the date by reference to which the eligibility of the Unitholders to participate in the EGM will be determined
EGM Resolution(s)	the resolution(s) to be passed at the EGM, as set out in the EGM Notice and explained in this Circular
EIT	the PRC Enterprise Income Tax
EIT Segregated Account	has the meaning ascribed to this term in section 2.2.2 headed "The Acquisition — Key terms of the Acquisition Deed — EIT Segregated Account"
EIT Withheld Amount	RMB10,000,000
Enlarged Group	collectively, Yuexiu REIT and, after Acquisition Completion, the Target Group
Enlarged Portfolio	collectively, the Existing Properties and, after Acquisition Completion, the Property

DEFINITIONS

Executive	the Executive Director of the Corporate Finance Division of the SFC or any of his/her delegate(s)
Existing Property(ies)	the property(ies) currently held by Yuexiu REIT as at the Latest Practicable Date as described in the annual report of Yuexiu REIT for the year ended 31 December 2020 published on 26 April 2021
Financing Structure	has the meaning as set out under section 5.1 headed “Financing of the Acquisition — Financing Structure”
GBA	Greater Bay Area, which comprises Hong Kong and Macao, and the nine municipalities of Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing in Guangdong Province in the PRC
GBA Development Plan	has the meaning as set out under section 7.6 headed “Reasons for and Benefits of the Acquisition — Capture Greater Bay Area and Guangzhou’s robust economic fundamentals and growing commercial property market”
GCCDL	Guangzhou City Construction & Development Co. Ltd.* (廣州市城市建設開發有限公司), a company incorporated in the PRC, which is the original developer of the Property
Gearing Ratio	at the time of a new borrowing, the aggregate of the existing borrowings of Yuexiu REIT and such new borrowing as a percentage of the total gross asset value of the Deposited Property as set out in Yuexiu REIT’s latest published audited accounts immediately prior to such new borrowing being effected (as adjusted in accordance with the Trust Deed)
General Partner	Guangzhou Junsheng Economic Information Consultancy Company Limited* (廣州駿盛經濟信息諮詢有限公司), a company incorporated in the PRC wholly-owned by the Limited Partner
Grade A	has the meaning ascribed to this term in Appendix 6 headed “Market Consultant Report for the Guangzhou Property Market”
Guangzhou IFC	means Guangzhou International Finance Center (廣州國際金融中心), located at No. 5 Zhujiang West Road, Tianhe District, Guangzhou, Guangdong Province, PRC
Guangzhou IFC Consideration	the consideration payable to Yuexiu Property in relation to Yuexiu REIT’s acquisition of Guangzhou IFC

DEFINITIONS

GZYX	Guangzhou Yue Xiu Holdings Limited* (廣州越秀集團股份有限公司), a company established in the PRC with limited liability, which is majority owned by the Guangzhou Municipal People's Government of the PRC. GZYX, being the holding company of Yue Xiu and the ultimate holding company of Yuexiu Property and indirectly owns as to approximately 39.8% of the issued shares of the latter, is also the holding company (and hence an associate) of the Manager and Dragon Yield and therefore a connected person of Yuexiu REIT
Hangzhou Property	means Hangzhou Victory Business Center Tower 2 (杭州維多利商務中心2幢) located in Qianjiang New Town, Jiangan District, Hangzhou, Zhejiang Province, PRC
HIBOR	the rate of interest offered on Hong Kong dollars loans by banks in the Hong Kong interbank market for a specified period ranging from overnight to one year
HKD or Hong Kong dollar(s)	Hong Kong dollar(s), the lawful currency of Hong Kong
HKFRS	the Hong Kong Financial Reporting Standards
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
Indebtedness Agreement	the indebtedness agreement dated 28 May 2012 between Yuexiu Property (as assignor), the Trustee (as assignee, on behalf of Yuexiu REIT and acting on the instructions of the Manager) and the Manager (as amended and supplemented by the Supplemental Indebtedness Agreement)
Independent Board Committee	the independent committee established by the Board to advise the Independent Unitholders on the Matters Requiring Approval, comprising Mr. CHAN Chi On, Derek, Mr. CHAN Chi Fai, Brian, Mr. CHEUNG Yuk Tong and Mr. CHEN Xiaou, being all of the INEDs
Independent Financial Adviser	Somerley Capital Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee, the Independent Unitholders and the Trustee on the Matters Requiring Approval
Independent Property Valuer	Colliers International (Hong Kong) Limited, being the principal valuer of Yuexiu REIT

DEFINITIONS

Independent Unitholder(s)	<p>(i) for the purpose of the Matters Requiring Approval (other than the Whitewash Waiver), Unitholder(s) other than those who have a material interest in the relevant resolutions that is different from that of all other Unitholders, within the meaning of paragraphs 8.7F and 9.9(f) of the REIT Code, and who are entitled to vote at the EGM; and</p> <p>(ii) for the purpose of the Whitewash Waiver and the Transaction Matters Requiring Approval, Unitholder(s) other than any Unitholder who is interested or involved in the Whitewash Waiver, the Acquisition, the Placing Agreement and/or the Underwriting Agreement and the transactions contemplated thereunder (including members of the (i) Yuexiu Concert Group, (ii) Mr. Lee Ka Lun, Mr. Lin Feng and Mr. Lin Zhaoyuan (all of whom are directors of Yuexiu Property), and (iii) DBS Bank Ltd. (being the holding company of one of Financial Advisers and Placing Agents) and BOCI Securities Limited (being a wholly-owned subsidiary of one of the Placing Agents, BOCI Asia Limited), each of which holds Units on a proprietary basis)</p>
INED(s)	independent non-executive Director(s)
Initial Payment	has the meaning ascribed to this term in section 2.2.1 headed “The Acquisition — Key terms of the Acquisition Deed — Consideration and payment terms for the Acquisition”
Intercompany Payables	collectively, the Offshore Payables and the Onshore Payables
Intermediary Entities	collectively, the Limited Partner, the General Partner, the Limited Liability Partnership and, before the completion of the Reverse Merger, the PRC Intermediary Companies
Irrevocable Undertaking(s)	has the meaning ascribed to this term in section 5.2.13 headed “Financing of the Acquisition — Rights Issue — Irrevocable Undertakings by Yue Xiu and Yuexiu Property”
Issued 1H21 Manager Fee Units	the Manager Fee Units that were issued on 26 August 2021 for the settlement of a portion of the Manager’s fees in respect of the period between 1 January 2021 and 30 June 2021

DEFINITIONS

Issued 2H20 Manager Fee Units	the Manager Fee Units that were issued on 7 April 2021 for the settlement of a portion of the Manager's fees in respect of the period between 1 July 2020 and 31 December 2020 which, for the avoidance of doubt, exclude the Manager Fee Units that have been deferred as disclosed in the announcement of Yuexiu REIT dated 7 April 2021
Last Trading Day	Friday, 22 October 2021, being the last Trading Day of the Units on the Stock Exchange before the publication of the Announcement
Latest Placing Date	Tuesday, 18 January 2022 or such later date as the Manager and the Placing Agents may agree in writing, being the latest date for the Placing Agents to place the Placing Units pursuant to the Placing Agreement
Latest Practicable Date	Wednesday, 10 November 2021, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information contained in this Circular
Latest Time for Acceptance	4:30 p.m. on Wednesday, 5 January 2022 (or such other time or date as may be determined by the Manager), being the latest time for acceptance of the offer of and payment for, the Rights Issue Units
Latest Time for Termination	4:00 p.m. on Thursday, 6 January 2022 (or such other time or date as may be agreed between the Manager and the Placing Agents), being the latest time for the Placing Agreement to be terminated and the Rights Issue to become unconditional
Limited Liability Partnership	Guangzhou Huisheng Industrial Investment Enterprise Partnership (Limited Partnership)* (廣州滙盛實業投資合夥企業 (有限合夥)), a limited liability partnership established under PRC law pursuant to the limited liability partnership agreement dated 1 July 2021 entered into between the General Partner and the Limited Partner
Limited Partner	Legend Smart (China) Limited (駿邦(中國)有限公司), a company incorporated in Hong Kong indirectly wholly-owned by Yuexiu Property as at the Latest Practicable Date
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange (modified as appropriate pursuant to the REIT Code)
Long Stop Date	30 June 2022, or such other date as agreed by the Purchaser and the Vendor in writing

DEFINITIONS

Manager	Yuexiu REIT Asset Management Limited, in its capacity as the manager of Yuexiu REIT, a company incorporated under the laws of Hong Kong and directly wholly-owned by Yuexiu Property as at the Latest Practicable Date
Manager Fee Unit(s)	the Unit(s) issued to the Manager in satisfaction of all or part of the Manager's fees from time to time
Market Consultant	Cushman & Wakefield Limited, an independent third party
Market Consultant Report	the report prepared by the Market Consultant set out in Appendix 6 to this Circular
Market Price	as defined under the Trust Deed, which applied to the present case is the higher of: (a) the closing price of the Units on the Stock Exchange on the date of the Underwriting Agreement (being 24 October 2021); and (b) the average closing price of the Units in the ten Trading Days of the Stock Exchange immediately prior to the earlier of: (i) the date of the Announcement; (ii) the date of the Underwriting Agreement; and (iii) the date on which the Rights Issue Subscription Price was fixed, all being 24 October 2021
Matters Requiring Approval	collectively, the Transaction Matters Requiring Approval and the CCPT Matters Requiring Approval
Maximum Untaken Rights Issue Units	the maximum number of Untaken Rights Issue Units, being 730,822,457 Rights Issue Units, which represents the total number of Rights Issue Units minus the sum of the Yuexiu Property Entitlement Units and the Yue Xiu Entitlement Units, and assuming no change of number of Units on or before the Rights Issue Record Date
MTN Issuer	Yuexiu REIT MTN Company Limited, in its capacity as the issuer in respect of the MTN Programme, a limited liability company incorporated in the BVI and a wholly-owned subsidiary of Yuexiu REIT
MTN Programme	has the meaning ascribed to this term in section 12 of Appendix 8 headed "Material Contracts"
MTN Programme 2021 Notes	has the meaning ascribed to this term in section 12 of Appendix 8 headed "Material Contracts"
MTN Programme Guarantor	the Trustee in its capacity as the guarantor in respect of the MTN Programme

DEFINITIONS

MTN Programme Trustee	Citicorp International Limited, in its capacity as trustee in respect of the MTN Programme, a limited liability company incorporated in Hong Kong
Naming Rights	has the meaning ascribed to this term in section 3.9.2(e) headed “The Property — Management strategy — Management of the Property — Naming Rights Agreement”
Naming Rights Agreement	has the meaning ascribed to this term in section 3.9.2(e) headed “The Property — Management strategy — Management of the Property — Naming Rights Agreement”
Net Gain	has the meaning ascribed to this term in section 5.2.14 headed “Financing of the Acquisition — Rights Issue — Procedures in respect of the Unsubscribed Rights Issue Units, the NQU Unsold Rights Issue Units, unsold fractions of the Rights Issue Units and the Compensatory Arrangements”
New Bank Facility	has the meaning ascribed to this term in section 5.4 headed “Financing of the Acquisition — New Bank Facility”
No-Action Unitholder(s)	Rights Issue Qualifying Unitholder(s) who do not subscribe for the Rights Issue Units (whether partially or fully) under the PALs or their renounees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed, or Rights Issue Non-Qualifying Unitholders (as the case may be)
Non-conforming Use(s)	has the meaning ascribed to this term in section 3.6.1 headed “The Property — Due diligence review — Non-conforming uses of certain premises”
NQU Unsold Rights Issue Unit(s)	the Rights Issue Unit(s) which would otherwise has/have been provisionally allotted to the Rights Issue Non-Qualifying Unitholder(s) in nil-paid form that has/have not been sold by Yuexiu REIT
Offshore Payables	the amount owing from the Limited Partner to Yuexiu Property, which is expected to be approximately RMB7,000,000,000 immediately prior to Acquisition Completion
Offshore Repayment Amount	has the meaning ascribed to this term in section 2.2.1 headed “The Acquisition — Key terms of the Acquisition Deed — Consideration and payment terms for the Acquisition”
One-Off Fees and Charges	has the meaning ascribed to this term in section 6.1 headed “Fees and Charges in relation to the Acquisition — Fees and charges payable in relation to the Acquisition”

DEFINITIONS

Onshore Payables	the amount owing from the General Partner to Guangzhou Grandcity Development Co., Ltd. (廣州宏城發展有限公司) being a subsidiary of Yuexiu Property, which is expected to be approximately RMB800,000,000 immediately prior to Acquisition Completion
Onshore Repayment Amount	has the meaning ascribed to this term in section 2.2.1 headed “The Acquisition — Key terms of the Acquisition Deed — Consideration and payment terms for the Acquisition”
Ordinary Resolution	a resolution of Unitholders passed by a simple majority of the votes of those present, whether in person or by proxy, and entitled to vote, where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders holding at least 10% of the Units in issue
Overseas Unitholder(s)	Unitholder(s) with registered address(es) (as shown on the register of Unitholders on the Rights Issue Record Date) which is/are outside Hong Kong
PAL(s)	the provisional allotment letter(s) for the Rights Issue
Placee(s)	any individual, corporate, institutional investor(s) or other investor(s), who and whose ultimate beneficial owner(s) shall not be a party acting in concert with the Yuexiu Concert Group or any of its members, and shall be Placing Independent Third Party(ies), procured by the Placing Agents and/ or its sub-placing agent(s) to subscribe for any of the Placing Units pursuant to the Placing Agreement
Placing	has the meaning ascribed to this term in section 5.2.16 headed “Financing of the Acquisition — Rights Issue — The Placing Agreement”
Placing Agents	DBS Asia Capital Limited, BOCI Asia Limited, China International Capital Corporation Hong Kong Securities Limited, Haitong International Securities Company Limited and Yue Xiu Securities Company Limited, each being a placing agent appointed by the Manager to place any Placing Unit under the Compensatory Arrangements in accordance with Rule 7.21(1)(b) of the Listing Rules
Placing Agreement	the placing agreement dated 24 October 2021 entered into between the Manager and the Placing Agents in relation to placing of the Placing Units

DEFINITIONS

Placing Independent Third Party	any person or company and their respective ultimate beneficial owner(s) who, as far as the Directors are aware after having made all reasonable enquiries, are not connected persons of Yuexiu REIT and are third parties independent of Yuexiu REIT and its connected persons within the meaning of the REIT Code and the Listing Rules (modified as appropriate pursuant to the REIT Code)
Placing Unit(s)	the Unsubscribed Rights Issue Units, the NQU Unsold Rights Issue Units and/or unsold fractions of the Rights Issue Units
PRC or China	the People's Republic of China but excluding, for the purposes of this Circular, Hong Kong, Taiwan and the Macao Special Administrative Region
PRC Government	the Central People's Government of the PRC
PRC Intermediary Companies	Guangzhou Lingsheng Economic Information Consultancy Company Limited* (廣州領盛經濟信息諮詢有限公司), Guangzhou Chuangsheng Economic Information Consultancy Company Limited* (廣州創盛經濟信息諮詢有限公司) Guangzhou Hongsheng Economic Information Consultancy Company Limited* (廣州弘盛經濟信息諮詢有限公司), and Guangzhou Kaisheng Economic Information Consultancy Company Limited* (廣州凱盛經濟信息諮詢有限公司), being companies incorporated in the PRC each of which is the direct owner of a Project Company respectively as at the Latest Practicable Date
PRC Legal Advisers	King & Wood Mallesons
Pro Forma Completion Statement	the pro forma statement of financial position of the Target Group as at the close of business on the Acquisition Completion Date, to be delivered by the Vendor at least four Business Days prior to the Acquisition Completion Date
Project Companies	collectively, Guangzhou Jiayao Real Estate Co., Ltd.* (廣州佳耀置業有限公司), Guangzhou Jinyao Real Estate Co., Ltd.* (廣州晉耀置業有限公司), Guangzhou Jingyao Real Estate Co., Ltd.* (廣州景耀置業有限公司) and Guangzhou Yuyao Real Estate Co., Ltd.* (廣州譽耀置業有限公司), being companies incorporated in the PRC and the direct owners of the Property
Property	the property subject of the Acquisition, particulars of which are provided in section 3.3 headed "The Property — Key information"

DEFINITIONS

Property Companies	means the special purpose vehicles each of which is a subsidiary of Yuexiu REIT and a direct owner of an Existing Property
Property Management Agreement	has the meaning ascribed to this term in section 3.9.2(b) headed “The Property — Management strategy — Management of the Property — Property Management Agreement”
Property Manager	Guangzhou Yuexiu Construction & Development JLL Property Management Services Co., Ltd.* (廣州越秀城建仲量聯行物業服務有限公司), a limited liability company incorporated in the PRC. As at the date of this Circular, the Property Manager is indirectly owned as to 80.0% by Yuexiu Services, which in turn is an indirect non-wholly-owned subsidiary of Yuexiu Property. As Yuexiu Property also directly wholly-owns the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield), the Property Manager is a fellow subsidiary (and hence an associate) of the Manager and Dragon Yield and therefore a connected person of Yuexiu REIT
Property Tenancy Services Company	Guangzhou Yuexiu Yicheng Business Operation Management Company Limited* (廣州越秀怡城商業運營管理有限公司), a limited liability company incorporated in the PRC. As at the date of this Circular, the Property Tenancy Services Company is indirectly wholly-owned by Yuexiu Services, which in turn is an indirect non-wholly-owned subsidiary of Yuexiu Property. As Yuexiu Property also directly wholly-owns the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield), the Property Tenancy Services Company is a fellow subsidiary (and hence an associate) of the Manager and Dragon Yield and therefore a connected person of Yuexiu REIT
Purchaser	Yuexiu REIT 2018 Company Limited, a BVI business company incorporated in the BVI and a SPV wholly-owned by Yuexiu REIT
REIT	real estate investment trust
REIT Code	the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being

DEFINITIONS

Relevant Indemnity Claims	has the meaning set out in section 2.2.6 headed “The Acquisition — Key terms of the Acquisition Deed — Representations, warranties and indemnities in the Acquisition Deed”
Relevant Market Price	has the meaning set out in section 10.2 headed “Modification of Deferred Units Arrangement — Adjustments to Deferred Units Issue Price”
Relevant Period	the period commencing from a date falling six months before the date of the Announcement up to and including the Latest Practicable Date
Repayment Amounts	the aggregate amounts outstanding as at the Acquisition Completion Date under the Offshore Payables owing from the Limited Partner to Yuexiu Property and the Onshore Payables owing from the General Partner to Guangzhou Grandcity Development Ltd.* (廣州宏城發展有限公司), which are expected to be approximately RMB7,800,000,000 in total immediately prior to Acquisition Completion
Reverse Merger	has the meaning ascribed to this term in section 4.3 headed “Holding Structure of the Property and Reverse Merger — Reverse Merger”
Revised Annual Cap(s)	the proposed revised annual cap amount(s) for the two years ending 31 December 2022 and 2023 respectively, as set out in section 11.2.1 headed “Continuing Connected Party Transactions — Non-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group — Yuexiu Leasing Framework Agreement” (in respect of the Connected Leasing Transactions), and section 11.2.2 headed “Continuing Connected Party Transactions — Non-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group — Yuexiu Tenancy Services Framework Agreement” (in respect of the Connected TSAs)
Rights Issue	the proposed issue of the Rights Issue Units by Yuexiu REIT on the basis of thirty seven (37) Rights Issue Units for every one hundred (100) existing Units held on the Rights Issue Record Date and subject to the conditions set out in section 5.2.15 headed “Financing of the Acquisition — Rights Issue — Conditions of the Rights Issue”
Rights Issue Completion	the completion of the Rights Issue, which is currently expected to take place on or about Wednesday, 26 January 2022

DEFINITIONS

Rights Issue Non-Qualifying Unitholder(s)	the Overseas Unitholder(s) whom the Board, based on legal opinions provided by the Manager's legal advisers, consider it necessary and expedient not to offer the Rights Issue to such Unitholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
Rights Issue Offering Circular	the offering circular to be despatched to the Unitholders in connection with the Rights Issue
Rights Issue Offering Circular Despatch Date	Friday, 17 December 2021 (or such other date as may be determined by the Manager), being the date of despatch of the Rights Issue Offering Documents to the Rights Issue Qualifying Unitholders (or the Rights Issue Offering Circular to the Rights Issue Non-Qualifying Unitholders for information only, as the case may be)
Rights Issue Offering Documents	collectively, the Rights Issue Offering Circular and the PAL
Rights Issue Qualifying Unitholder(s)	the Unitholder(s) whose names appear on the register of unitholders of Yuexiu REIT and any person holding Units through CCASS at 5:00 p.m. on the Rights Issue Record Date, other than the Rights Issue Non-Qualifying Unitholders
Rights Issue Record Date	Thursday, 16 December 2021 (or such other date as may be determined by the Manager), being the date by reference to which entitlements of Unitholders to participate in the Rights Issue will be determined
Rights Issue Subscription Price	HKD3.20 per Rights Issue Unit under the Rights Issue
Rights Issue Unit(s)	the new Unit(s) to be allotted and issued by Yuexiu REIT under the Rights Issue
RMB	Renminbi, the official currency of the PRC
Sale Shares	all of the issued shares of the Target Company, representing the entire equity interest in the Target Company
Second Supplemental Indebtedness Agreement	the agreement dated 24 October 2021 entered into amongst Yuexiu Property (as assignor), the Trustee and the Manager in respect of the Deferred Units Arrangement Modification which is conditional upon, among other things, the passing of the Ordinary Resolution approving the same
SFC	the Securities and Futures Commission of Hong Kong

DEFINITIONS

SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
Shanghai Yue Xiu Tower	means “Yuexiu Tower” (越秀大厦), located at No. 388 Fushan Road, Lot No. Qiu 2/9 Jiefang 302, Weifang Xincun Street, Pudong New District, Shanghai, PRC
Share Consideration	has the meaning ascribed to this term in section 2.2.1 headed “The Acquisition — Key terms of the Acquisition Deed — Consideration and payment terms for the Acquisition”
Special Distribution	the conditional distribution described in section 8 headed “Declaration of Special Distribution”
Special Distribution Record Date	Thursday, 9 December 2021, being the date by reference to which eligibility of the Unitholders to qualify for entitlement to the Special Distribution will be determined
Special Resolution	a resolution of Unitholders passed by 75% or more of the votes of those present, whether in person or by proxy, and entitled to vote, where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders holding at least 10% of the Units in issue
SPV	a special purpose vehicle that is owned and controlled by Yuexiu REIT in accordance with the REIT Code and the Trust Deed
sq.m.	square metre
Stock Exchange	The Stock Exchange of Hong Kong Limited
Substantial Unitholder	has the same meaning as “substantial holder” as defined under the REIT Code
Supplemental Indebtedness Agreement	the supplemental agreement dated 27 June 2012 between the Trustee, the Manager and Yuexiu Property for the purpose of (among other things) amending the Deferred Units Issue Price
Takeovers Code	the Hong Kong Code on Takeovers and Mergers issued by the SFC (as amended from time to time)
Target Company	Gain Force Investments Ltd., a BVI business company incorporated in the BVI which is the indirect owner of the Project Companies, which in turn directly own the Property
Target Group	collectively, the Target Company, the Intermediary Entities and the Project Companies

DEFINITIONS

Target Group Adjusted NAV	has the meaning ascribed to this term in section 2.2.1 headed “The Acquisition — Key terms of the Acquisition Deed — Consideration and payment terms for the Acquisition”
Tax Advisers	PricewaterhouseCoopers Limited, an independent third party
Tenancy Services Agreement	has the meaning ascribed to this term in section 3.9.2(c) headed “The Property — Management strategy — Management of the Property — Tenancy Services Agreement”
Total Distributable Income	has the meaning as defined in the Trust Deed
Trading Day	a day on which, in the usual course, the Stock Exchange is open for the conduct of trading of securities
Transaction Matters Requiring Approval	the matters which require the approval of Independent Unitholders at the EGM being: (a) the Acquisition and the transactions contemplated under the Acquisition Deed; (b) the entry into of the Underwriting Agreement and the transactions contemplated thereunder; (c) the entry into of the Placing Agreement and the transactions contemplated thereunder; (d) the Deferred Units Arrangement Modification and the entry into of the Second Supplemental Indebtedness Agreement and the transactions contemplated thereunder; and (e) the Whitewash Waiver, as more fully described in this Circular
True-up Payment	has the meaning ascribed to this term in section 2.2.1 headed “The Acquisition — Key terms of the Acquisition Deed — Consideration and payment terms for the Acquisition”
Trust Deed	the trust deed constituting Yuexiu REIT dated 7 December 2005 and entered into between the Trustee and the Manager, as may be amended and supplemented from time to time
Trustee	HSBC Institutional Trust Services (Asia) Limited, in its capacity as trustee of Yuexiu REIT. All references to the Trustee in this Circular are, as the context may require, to the Trustee acting on behalf of Yuexiu REIT and on the instructions of the Manager
Trustee’s Acquisition Additional Fees	has the meaning ascribed to this term in section 6.1 headed “Fees and Charges in relation to the Acquisition — Fees and charges payable in relation to the Acquisition”
Underwriter	Yue Xiu

DEFINITIONS

Underwriting Agreement	the underwriting agreement dated 24 October 2021 entered into between the Manager and the Underwriter in relation to the Rights Issue
Unit	one undivided unit in Yuexiu REIT
Unitholder	any person registered as holding a Unit on the register of Unitholders
Unit Registrar	Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Unsubscribed Rights Issue Units	those Rights Issue Units that are not subscribed by the Rights Issue Qualifying Unitholders or renouncee(s) or transferee(s) of nil-paid rights whether or not under the PAL(s) during the Right Issue
Untaken Rights Issue Unit(s)	the Placing Units not placed by the Placing Agents under the Compensatory Arrangements
USD or US dollar(s)	United States dollar(s), the lawful currency of the United States of America
US Securities Act	the US Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
Valuation Report	the valuation report in respect of the Property prepared by the Independent Property Valuer, which is set out in Appendix 5A to this Circular
VAT	value-added tax
Vendor	Guangzhou Construction & Development Holdings (China) Limited (城市建設開發集團(中國)有限公司), a BVI business company incorporated in the BVI and a direct wholly-owned subsidiary of Yuexiu Property, and as at the Latest Practicable Date, the direct owner of the Target Group, which in turn indirectly owns the Property
White Horse Building Units	nine strata units in White Horse Building located at Nos.14, 16 and 18 Zhan Nan Road, Yue Xiu District, Guangzhou, PRC and represented by Title Certificate numbers 01400018848, 01400018851, 01400018853, 01400018855, 01400018856, 01400018858, 01400018860, 01400018862 and 01400018864

DEFINITIONS

Whitewash Waiver	the whitewash waiver by the Executive under Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligation on the part of Yue Xiu and Yuexiu Property to make a general offer for all issued Units and other securities of Yuexiu REIT (if any) not already owned or agreed to be acquired by Yue Xiu and parties acting in concert with it as a result of the taking up and subscription of the Untaken Rights Issue Units pursuant to the Underwriting Agreement
Wuhan Property	the real property which comprises: (a) the entire 68-storey office and commercial development known as “Wuhan Yuexiu Fortune Centre (武漢越秀財富中心)”; (b) the entire 5-storey shopping arcade known as “Starry Victoria Shopping Centre (星匯維港購物中心)” (inclusive of a 1-storey basement); (c) 1,134 carpark spaces designated as spaces supporting (a) and (b); and (d) 375 carpark spaces designated as spaces supporting the residential development known as “Starry Winking”, and which is located in Hankou Riverside Business District in Wuhan, Hebei Province, PRC
Yue Xiu	Yue Xiu Enterprises (Holdings) Limited (越秀企業(集團)有限公司), a company incorporated in Hong Kong with limited liability. As at the date of this Circular, Yue Xiu is the indirect holding company of Yuexiu Property through its approximately 39.8% interest in Yuexiu Property, which in turn directly wholly-owns the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield). As the indirect holding company of the Manager and Dragon Yield, Yue Xiu is an associate of both entities and therefore a connected person of Yuexiu REIT
Yue Xiu Entitlement Units	26,366,784 Rights Issue Units to be provisionally allotted to Yue Xiu in respect of the Units held by it pursuant to the Rights Issue
Yue Xiu Group	collectively, GZYX and its subsidiaries
Yue Xiu Securities	Yue Xiu Securities Company Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO and its ordinary course of business includes placing and underwriting of securities. As at the date of this Circular, Yue Xiu Securities is an indirect wholly-owned subsidiary of Yue Xiu. As Yue Xiu is also the indirect holding company of the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield), Yue Xiu Securities is a fellow subsidiary (and hence an associate) of the Manager and Dragon Yield and therefore a connected person of Yuexiu REIT

DEFINITIONS

Yuexiu Concert Group	Yue Xiu and parties acting in concert with it under the Takeovers Code, including (but not limited to) Yuexiu Property (which, for the avoidance of doubt, excludes the Yuexiu REIT Group, Ms. Ou Haijing and Mr. Li Feng, each of whom, by virtue of being an executive Director and a non-executive Director, respectively, is presumed to be a party acting in concert with Yue Xiu pursuant to class (6) presumption under the definition of “acting in concert” under the Takeovers Code until Rights Issue Completion)
Yuexiu Connected Persons Group	GZYX and its subsidiaries and associates (which, for the avoidance of doubt, excludes the Yuexiu REIT Group), all of which are associates of the Manager and/or Substantial Unitholder of Yuexiu REIT (being Dragon Yield) and hence connected persons of Yuexiu REIT
Yuexiu Connected Tenants	tenants and licensees of the Connected Leasing Transactions (including the Connected Tenants after Acquisition Completion)
Yuexiu Continuing CPTs	collectively, Connected Leasing Transactions, Connected TSAs and Connected PMAs
Yuexiu Framework Agreements	collectively, the Yuexiu Leasing Framework Agreement, the Yuexiu Tenancy Services Framework Agreement and the Yuexiu Property Management Framework Agreement
Yuexiu Leasing Framework Agreement	the framework agreement dated 24 October 2021 entered into by the Manager (on behalf of the Yuexiu REIT Group) and GZYX setting out the terms and conditions and pricing policy governing the Connected Leasing Transactions which are either in place or to be entered into or renewed from time to time for the period from 1 January 2022 to 31 December 2023
Yuexiu Property or YXP	Yuexiu Property Company Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 123). Yuexiu Property, which wholly-owns the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield), is an associate of the Manager and Dragon Yield and hence a connected person of Yuexiu REIT
Yuexiu Property Group	collectively, Yuexiu Property and its subsidiaries
Yuexiu Property Entitlement Units	477,213,797 Rights Issue Units to be provisionally allotted to Yuexiu Property in respect of the Units held by it pursuant to the Rights Issue

DEFINITIONS

Yuexiu Property GM	the general meeting of the YXP Shareholders to be convened to consider, and, if thought fit, to pass the relevant resolutions in relation to the Acquisition and the Deferred Units Arrangement Modification
Yuexiu Property Management Framework Agreement	the framework agreement dated 24 October 2021 entered into by the Manager (on behalf of the Yuexiu REIT Group) and GZYX setting out the terms and conditions and pricing policy governing the Connected PMAs which are either in place or to be entered into or renewed from time to time for the period from 1 January 2022 to 31 December 2023
Yuexiu REIT	Yuexiu Real Estate Investment Trust, a Hong Kong collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO subject to applicable conditions from time to time (whose Units are listed on the Stock Exchange) and the companies controlled by it, as the context requires
Yuexiu REIT Associate(s)	associate(s) of Yuexiu REIT pursuant to the Takeovers Code, which includes, among others, the Manager and the Trustee
Yuexiu REIT Group	means Yuexiu REIT and its subsidiaries
Yuexiu Services	Yuexiu Services Group Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange (Stock Code: 6626). As at the date of this Circular, Yuexiu Services is an indirect non-wholly-owned subsidiary of Yuexiu Property. As Yuexiu Property also directly wholly-owns the Manager and a Substantial Unitholder (being Dragon Yield), Yuexiu Services is a fellow subsidiary (and hence an associate) of the Manager and Dragon Yield and therefore a connected person of Yuexiu REIT
Yuexiu Tenancy Services Framework Agreement	the framework agreement dated 24 October 2021 entered into by the Manager (on behalf of the Yuexiu REIT Group) and Yuexiu Property setting out the terms and conditions and pricing policy governing the Connected TSAs which are either in place or to be entered into or renewed from time to time for the period from 1 January 2022 to 31 December 2023
Yuexiu Transport	Yuexiu Transport Infrastructure Limited, a limited liability company incorporated in Hong Kong and listed on the Stock Exchange (Stock Code: 01052)

DEFINITIONS

YXP Independent Shareholder	a YXP Shareholder other than: (i) any YXP Shareholder who has a material interest in the Acquisition and/or the Deferred Units Arrangement Modification other than its interest as a YXP Shareholder; and (ii) any close associate of such YXP Shareholder referred to in (i)
YXP Nominee	a wholly-owned subsidiary of Yuexiu Property designated by Yuexiu Property for the purpose of holding, among other things, Deferred Units in accordance with the Indebtedness Agreement
YXP Shareholder	any person registered as holding an ordinary share on the register of members of Yuexiu Property
ZJNT	Guangzhou Zhujiang New Town (廣州珠江新城), which is more particularly demarcated in the Market Consultant Report
%	per cent or percentage

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a time of day in this Circular shall be a reference to Hong Kong time unless otherwise stated.

Any discrepancies in the tables, graphs and charts between the listed amounts and totals thereof are due to rounding. Where applicable, figures and percentages are rounded to one decimal place.

For the purpose of this Circular, unless otherwise indicated, conversion of RMB into HKD is calculated at the approximate exchange rate of HKD1.00 to RMB0.8321. This exchange rate is for illustration purposes only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at that rate or any other rate at all.

* *For identification purposes only.*

INDICATIVE TIMETABLE

The expected time and dates in the timetable for the Acquisition and the Rights Issue below and in this Circular are indicative only and may be subject to change. Any such change will be announced in a separate announcement by the Manager as and when appropriate. Changes to the indicative timetable contained in the Announcement are set out in the footnotes below.

All time and date references contained in this Circular shall refer to Hong Kong local time and dates.

Event	Date and Time
Despatch of the Circular with notice and form of proxy for the EGM	Saturday, 13 November 2021
Latest date and time for lodging transfer documents of Units to qualify for the attendance and voting at the EGM	Monday, 29 November 2021 at 4:30 p.m.
Closure of register of Unitholders to determine the eligibility of Unitholders to attend and vote at the EGM	Tuesday, 30 November 2021 to Monday, 6 December 2021 (both days inclusive)
Latest date and time for lodging proxy forms for the EGM	10:30 a.m. on Saturday, 4 December 2021
EGM Record Date	Monday, 6 December 2021
Latest time for the termination of the Underwriting Agreement by the Underwriter	Immediately before the time of the EGM on Monday, 6 December 2021
Expected date and time of the EGM	10:30 a.m. on Monday, 6 December 2021
Announcement of poll results of the EGM	Monday, 6 December 2021
Register of Unitholders re-opens	Tuesday, 7 December 2021
If the approvals sought at the EGM are obtained:	
Last day of dealings in the Units on a cum-entitlement basis relating to the Special Distribution	Tuesday, 7 December 2021 ⁽¹⁾
Commencement of dealings in the Units on an ex-entitlement basis relating to the Special Distribution	Wednesday, 8 December 2021 ⁽²⁾
Last day of dealings in the Units on a cum-rights basis relating to the Rights Issue	Thursday, 9 December 2021 ⁽³⁾
Latest date and time for the Unitholders to lodge transfer documents of Units to qualify for the Special Distribution	4:30 p.m. on Thursday, 9 December 2021 ⁽⁴⁾

INDICATIVE TIMETABLE

Special Distribution Record Date	Thursday, 9 December 2021 ⁽⁵⁾
Commencement of dealings in the Units on an ex-rights basis relating to the Rights Issue	Friday, 10 December 2021 ⁽⁶⁾
Latest date and time for the Unitholders to lodge transfer documents of Units in order to qualify for the Rights Issue	4:30 p.m. on Monday, 13 December 2021 ⁽⁷⁾
Closure of register of Unitholders for determination of entitlements to the Rights Issue	Tuesday, 14 December 2021 ⁽⁸⁾ to Thursday, 16 December 2021 (both days inclusive)
Rights Issue Record Date	Thursday, 16 December 2021
Register of Unitholders re-opens	Friday, 17 December 2021
Despatch date of the Rights Issue Offering Documents (in the case of the Rights Issue Non-Qualifying Unitholders, the Rights Issue Offering Circular only)	Friday, 17 December 2021
First day of dealings in nil-paid Rights Issue Units	Tuesday, 21 December 2021
Latest date and time for splitting nil-paid Rights Issue Units	4:30 p.m. on Tuesday, 28 December 2021
Last day of dealings in nil-paid Rights Issue Units	Friday, 31 December 2021
Latest date and time for acceptance and payment for Rights Issue Units (being the Latest Time for Acceptance)	4:30 p.m. on Wednesday, 5 January 2022
Latest date and time for the termination of the Placing Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Thursday, 6 January 2022
Announcement of the number of Placing Units	Friday, 7 January 2022
Commencement of placing of Placing Units by the Placing Agents	Monday, 10 January 2022
Latest date and time for placing of Placing Units by the Placing Agents	4:00 p.m. on Tuesday, 18 January 2022
Announcement of allotment results of the Rights Issue (including results of placing of Placing Units)	Wednesday, 19 January 2022
Latest date for despatching refund cheques (if the Rights Issue does not become unconditional)	Tuesday, 25 January 2022

INDICATIVE TIMETABLE

Latest date for despatching certificates for fully paid Rights Issue Units and completion of placing of Placing Units to take place on or around (if the Rights Issue becomes unconditional)	Tuesday, 25 January 2022
Commencement of dealings in fully-paid Rights Issue Units including any Placing Units	9:00 a.m. on Wednesday, 26 January 2022
Drawdown under the New Bank Facility	Expected to be at Acquisition Completion
Acquisition Completion	Expected to be any date after the Rights Issue Offering Circular Despatch Date (but no later than 10 Business Days after the fulfilment and/or waiver (where applicable) of the conditions of Acquisition Completion, or such other date agreed by the relevant parties in writing)
Declaration and payment of Special Distribution	Within 30 Business Days after Acquisition Completion

Notes:

- (1) Previously stated in the Announcement as Thursday, 25 November 2021
- (2) Previously stated in the Announcement as Friday, 26 November 2021
- (3) Previously stated in the Announcement as Tuesday, 7 December 2021
- (4) Previously stated in the Announcement as Monday, 29 November 2021
- (5) Previously stated in the Announcement as Monday, 6 December 2021
- (6) Previously stated in the Announcement as Wednesday, 8 December 2021
- (7) Previously stated in the Announcement as Thursday, 9 December 2021
- (8) Previously stated in the Announcement as Friday, 10 December 2021

Further announcement(s) will be made in relation to those events which are scheduled to take place after the EGM as and when appropriate in accordance with applicable regulatory requirements.

INDICATIVE TIMETABLE

The completion of the Acquisition is subject to and conditional upon, among others, Unitholders' approval being obtained at the EGM and YXP Shareholders' approval being obtained at the Yuexiu Property GM, and accordingly, may or may not take place. Unitholders and prospective investors of Yuexiu REIT should note that: (1) the Rights Issue has not been launched and will only proceed if the abovementioned approvals are obtained and other conditions for the Rights Issue are satisfied; and (2) the Special Distribution may or may not be paid as it is conditional upon Acquisition Completion. Accordingly, Unitholders and prospective investors should exercise caution when dealing in the Units prior to Acquisition Completion.

EFFECT OF BAD WEATHER AND EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS ISSUE UNITS

The Latest Time for Acceptance and payment of the Rights Issue Units will not take place at the time indicated above if there is a tropical cyclone warning signal number 8 or above, or "extreme conditions" caused by super typhoons or a "black" rainstorm warning issued by the Hong Kong Observatory:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 5 January 2022, being the date on which the Latest Time for Acceptance and payment of the Rights Issue Units falls. Instead the Latest Time for Acceptance and payment of the Rights Issue Units will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 5 January 2022, being the date on which the Latest Time for Acceptance and payment of the Rights Issue Units falls. Instead the Latest Time for Acceptance and payment of the Rights Issue Units will be rescheduled to 4:00 p.m. on the following Business Day which does not have any of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance and payment of the Rights Issue Units does not take place on Wednesday, 5 January 2022, the dates mentioned in this section may be affected. The Manager will make an announcement notifying the Unitholders on any changes to the expected timetable as soon as practicable.

LETTER TO THE UNITHOLDERS



越秀房地產投資信託基金
YUEXIU REAL ESTATE INVESTMENT TRUST

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))
(Stock code: 00405)

Managed by



越秀房託資產管理有限公司
YUEXIU REIT ASSET MANAGEMENT LIMITED

Directors of the Manager:

Executive Directors:

Mr. Lin Deliang (*Chairman*)
Ms. Ou Haijing

Non-executive Directors:

Mr. Li Feng
Mr. Zeng Zhizhao

Independent Non-executive Directors:

Mr. Chan Chi On, Derek
Mr. Chan Chi Fai, Brian
Mr. Cheung Yuk Tong
Mr. Chen Xiaou

Registered Office:

17B, Yue Xiu Building,
160 Lockhart Road,
Wanchai,
Hong Kong

13 November 2021

To: Unitholders of Yuexiu REIT

Dear Sir/Madam,

- (1) MAJOR AND CONNECTED PARTY TRANSACTIONS RELATING TO ACQUISITION OF YUEXIU FINANCIAL TOWER IN GUANGZHOU;**
- (2) PROPOSED RIGHTS ISSUE ON THE BASIS OF THIRTY SEVEN (37) UNITS FOR EVERY ONE HUNDRED (100) UNITS HELD ON THE RIGHTS ISSUE RECORD DATE AND APPLICATION FOR WHITEWASH WAIVER;**
- (3) CONNECTED PARTY TRANSACTIONS IN RELATION TO UNDERWRITING AGREEMENT AND PLACING AGREEMENT;**
- (4) MODIFICATION OF CONNECTED PARTY TRANSACTION;**
- (5) CONTINUING CONNECTED PARTY TRANSACTIONS; AND**
- (6) NOTICE OF EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS**

LETTER TO THE UNITHOLDERS

1 INTRODUCTION

Reference is made to the Announcement of Yuexiu REIT dated 24 October 2021 relating to, among other things, the Acquisition, the Rights Issue and Whitewash Waiver.

The purposes of this Circular are: (1) to provide you with further information in respect of, among other things, the Matters Requiring Approval; (2) to set out the recommendation of the Independent Board Committee in relation to the Matters Requiring Approval; (3) to set out the recommendation of the Independent Financial Adviser in relation to the Matters Requiring Approval; and (4) to serve notice of the EGM at which the resolutions seeking Unitholders' approval for the Matters Requiring Approval shall be proposed.

2 THE ACQUISITION

2.1 Overview of the Acquisition

On 24 October 2021, Yuexiu REIT (through the Purchaser) entered into the Acquisition Deed with the Vendor (as seller) and Yuexiu Property (as guarantor), pursuant to which the Purchaser agreed to purchase the Property (through the purchase of the Sale Shares representing the entire equity interest in the Target Company) from the Vendor. The Target Company indirectly holds 100% of the Project Companies (being the registered legal owners of the land use rights and ownership rights underlying the Property) through the Intermediary Entities.

The Property is an International Grade A office building, which is one of the ten tallest skyscrapers in Guangzhou and a landmark building strategically located in the Core Area of ZJNT. Further details regarding the Property are contained in section 3.3 headed "The Property — Key information" in this Circular.

As at the Latest Practicable Date: (i) Yuexiu Property, wholly-owns the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield) which holds approximately 35.1% of the issued Units, is an associate of the Manager and Dragon Yield, and therefore a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code); and (ii) the Vendor, being directly wholly-owned by Yuexiu Property, is an associate of the Manager and Dragon Yield, and therefore a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). Accordingly, the Acquisition is a connected party transaction of Yuexiu REIT and, since the highest applicable percentage ratio is expected to exceed 5%, the Acquisition is subject to the announcement, circular, reporting and Independent Unitholders' approval requirements under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

Furthermore, as the highest applicable percentage ratio in respect of the Acquisition is expected to exceed 25% but be less than 100%, the Acquisition (and the transactions contemplated thereunder) constitutes a major transaction of Yuexiu REIT and is subject to the notification, announcement, circular, accountant's report and Unitholders' approval requirements under Chapter 10 of the REIT Code and Chapter 14 of the Listing Rules (modified as appropriate pursuant to the REIT Code).

LETTER TO THE UNITHOLDERS

As stated in the announcement dated 24 October 2021 made by Yuexiu Property, the Acquisition will also constitute a major transaction for Yuexiu Property, and as such, will require approval from YXP Shareholders in accordance with Chapter 14 of the Listing Rules.

2.2 Key terms of the Acquisition Deed

On 24 October 2021, Yuexiu REIT 2018 Company Limited (a SPV wholly-owned by Yuexiu REIT) as the Purchaser entered into the Acquisition Deed with Guangzhou Construction & Development Holdings (China) Limited as the Vendor and Yuexiu Property as the guarantor for the Acquisition.

Pursuant to the Acquisition Deed: (i) the Purchaser agreed to purchase, and the Vendor agreed to sell, the Sale Shares representing the entire equity interest in the Target Company, which through the Intermediary Entities indirectly holds 100% of the Project Companies, which are the registered legal owners of the land use rights and ownership rights underlying the Property; and (ii) the Purchaser agreed to repay or procure the repayment of the Intercompany Payables.

The principal terms of the Acquisition Deed are summarised as follows:

2.2.1 Consideration and payment terms for the Acquisition

The consideration for the acquisition of the Property (the “**Acquisition Consideration**”) is equal to the sum of: (1) the Share Consideration (for the acquisition of the Sale Shares); and (2) the Repayment Amounts (being the outstanding amount of the Intercompany Payables as at Acquisition Completion).

The “**Share Consideration**” shall be paid by the Purchaser to the Vendor, and is equal to the sum of: (a) the Agreed Acquisition Amount; and (b) the Target Group Adjusted NAV as set out in the Completion Statement.

The “**Agreed Acquisition Amount**” of RMB7,800 million was arrived at on an arm’s length basis after taking into account the Appraised Value of RMB8,030 million as at 31 August 2021 as appraised by the Independent Property Valuer. The Agreed Acquisition Amount represents a discount of 2.9% to the Appraised Value.

The “**Target Group Adjusted NAV**” shall be equal to: (i) all assets of the Target Group (other than the Property and deferred assets); minus (ii) all liabilities of the Target Group (including the Intercompany Payables but excluding the deferred tax liabilities arising from the revaluation of the Property and depreciation allowances given to the Property), in each case as at Acquisition Completion as shown in the Completion Statement. Since the Property will be acquired by Yuexiu REIT by way of acquisition of the Sale Shares, taking into account the present intention of the Manager for Yuexiu REIT to hold the Property for long-term investment purposes, the Manager’s Tax Advisers, PricewaterhouseCoopers Limited, considers that it is very unlikely that the abovementioned deferred tax liabilities will crystallise. Therefore, no account has been taken of such liabilities in the calculation of the Target Group Adjusted NAV.

LETTER TO THE UNITHOLDERS

For illustrative purposes only, based on the Accountant's Report set out in Appendix 2 to this Circular and the Intercompany Payables expected to be outstanding immediately before Acquisition Completion (being approximately RMB7,800,000,000), the illustrative Target Group Adjusted NAV is approximately negative RMB7,825,383,000, and is mostly attributable to: (i) cash and cash equivalents of approximately RMB110,061,000 as at 30 June 2021; and (ii) amounts due to related parties of RMB7,805,735,000, which consists mainly of the abovementioned approximately RMB7,800,000,000 Intercompany Payables that is expected to be outstanding immediately before Acquisition Completion. The Intercompany Payables represent the aggregate amounts outstanding under the Offshore Payables owing from the Limited Partner to Yuexiu Property and the Onshore Payables owing from the General Partner to Yuexiu Property, which only became outstanding after 30 June 2021 as a result of the capital restructuring exercise of the Target Group by Yuexiu Property and therefore were not reflected in the Accountant's Report set out in Appendix 2 to this Circular which shows the audited combined balance sheets of the Target Group as at 30 June 2021.

Based on the illustrative Target Group Adjusted NAV (being approximately negative RMB7,825,383,000), the illustrative Share Consideration is approximately negative RMB25,383,000. Combined with the Purchaser's obligation to repay or procure the repayment of the Intercompany Payables (which is expected to be approximately RMB7,800,000,000 immediately before Acquisition Completion), the total illustrative Acquisition Consideration is approximately RMB7,774,617,000.

Pursuant to the Acquisition Deed, the Acquisition Consideration shall be satisfied in the following manner:

- (A) at Acquisition Completion, the Purchaser shall pay to the Vendor an amount equal to:
- (i) the "**Initial Payment**" of: (1) the Agreed Acquisition Amount of RMB7,800,000,000; plus/minus (2) the Target Group Adjusted NAV as set out in the Pro Forma Completion Statement; minus
 - (ii) the EIT Withheld Amount of RMB10,000,000 and, if any, the Additional EIT Withheld Amount, both of which are to be retained by the Purchaser and deposited into the EIT Segregated Account (see section 2.2.2 headed "The Acquisition — Key terms of the Acquisition Deed — EIT Segregated Account" in this Circular for details);
- (B) at Acquisition Completion, the Purchaser shall procure the repayment of the amount outstanding under the Onshore Payables in RMB as at the Acquisition Completion Date (the "**Onshore Repayment Amount**");

LETTER TO THE UNITHOLDERS

- (C) at Acquisition Completion, the Purchaser shall pay to Yuexiu Property an amount equal to the amount outstanding under the Offshore Payables as at the Acquisition Completion Date (the “**Offshore Repayment Amount**”), provided that, if Rights Issue Completion has not taken place by Acquisition Completion, an amount equal to 50% of the Offshore Repayment Amount shall be deferred and paid to Yuexiu Property in accordance with paragraph (D) below (such deferred portion of the Offshore Repayment Amount being the “**Deferred Offshore Repayment Amount**”);
- (D) (if 50% of the Offshore Repayment Amount is deferred under paragraph (C) above) within ten Business Days after Rights Issue Completion, the Purchaser shall settle or procure the settlement of:
- (i) the Deferred Offshore Repayment Amount; plus
 - (ii) interest on the amount under (D)(i) above accrued at a margin of 1.2% per annum over 1-month HIBOR from the Acquisition Completion Date to the date that such amount is paid; and
- (E) within ten Business Days after agreement or determination of the Completion Statement (the draft of which will be prepared based on the audited accounts of the Target Group as at Acquisition Completion Date as audited by PricewaterhouseCoopers):
- (i) if the Target Group Adjusted NAV (as set out in the Completion Statement) is higher than the Target Group Adjusted NAV (as set out in the Pro Forma Completion Statement), the Purchaser shall pay the difference to the Vendor, without prejudice to the Purchaser’s right to retain and deposit any Additional EIT Withheld Amount into the EIT Segregated Account (see section 2.2.2 headed “The Acquisition — Key terms of the Acquisition Deed — EIT Segregated Account” in this Circular for details); and
 - (ii) if the Target Group Adjusted NAV (as set out in the Completion Statement) is lower than the Target Group Adjusted NAV (as set out in the Pro Forma Completion Statement), the Vendor shall repay the difference to the Purchaser,

with such difference payable by the Purchaser or the Vendor being the “**True-up Payment**”.

With respect to paragraphs (B) and (C) above, the amounts of the Offshore Payables and the Onshore Payables shall not be such that they would cause the amount payable on the Acquisition Completion Date under paragraph (A) above to be negative.

The Manager shall publish further announcement(s) regarding the Initial Payment, the Repayment Amounts, the Deferred Offshore Repayment Amount (if any) and the True-up Payment as soon as practicable after such amounts have been determined.

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2.2.2 EIT Segregated Account

On Acquisition Completion, the Purchaser shall pay, or procure the payment of, the EIT Withheld Amount for credit to a segregated account in the name of the Purchaser or another subsidiary of Yuexiu REIT (the “**EIT Segregated Account**”). If the Purchaser reasonably expects that the amount of taxes payable by the Vendor arising out of or relating to the Acquisition may be greater than the EIT Withheld Amount, the Purchaser may pay the excess amount (the “**Additional EIT Withheld Amount**”) for credit to the EIT Segregated Account. The Acquisition Deed specifies that the funds in the EIT Segregated Account will only be released to the Vendor after it has provided the Purchaser with evidence that it has paid that amount of PRC Enterprises Income Tax payable by the Vendor in respect of the Acquisition, provided that the funds remaining in the EIT Segregated Account are equal to or greater than the amount of unpaid taxes the Vendor may be liable for arising out of or relating to the Acquisition.

2.2.3 Conditions precedent under the Acquisition Deed

Completion of the Acquisition is subject to and conditional upon satisfaction of the following conditions (collectively, the “**Acquisition Conditions**”):

- (a) the resolutions approving the Transaction Matters Requiring Approval having been passed by Independent Unitholders at the EGM;
- (b) the resolutions approving the Acquisition and the Deferred Units Arrangement Modification having been passed by the YXP Independent Shareholders at the Yuexiu Property GM;
- (c) the posting of the Rights Issue Offering Documents to Unitholders and all other conditions to the Rights Issue having been fulfilled, save for the grant by the Stock Exchange of the approval for the listing of, and permission to deal in, the Rights Issue Units;
- (d) the New Bank Facility being in place and sufficient funds being available for drawdown under the New Bank Facility;
- (e) there being:
 - (i) no change or circumstance that has a material adverse effect on the Vendor’s ability to perform its obligations under the Acquisition Deed before Acquisition Completion which is not covered by item (iv) below (other than any change: (1) that generally affects the real estate industry in the PRC; (2) in financial markets or general economic or political conditions; (3) of law or accounting principles applicable to the Target Group);
 - (ii) none of the following circumstances having occurred: (1) the entire Property or 30% or more of the above-ground lettable area (“**material part**”) of the Property has been damaged or destroyed or has become a dangerous building according to the assessment by the relevant PRC government authority or has become inaccessible and the situation described above has not come to an end before Acquisition Completion; (2) the entire Property or a material part thereof has been closed down by or normal business operation therein has been prevented by the action of relevant PRC

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government authorities and the situation described above has not come to an end before Acquisition Completion; or (3) the entire Property or a material part thereof has been damaged or destroyed such that it is in a condition which renders it unable to generate rental income and the situation described above has not come to an end before Acquisition Completion;

- (iii) no compulsory acquisition or resumption of the Property and no notice of such intention received from any government authority before Acquisition Completion; and
- (iv) no statute, regulation or decision imposed on or affecting the Vendor, the Target Company, the Project Companies and/or the Property which would prohibit or materially delay the sale and purchase of the Sale Shares or the disposal of the Property or which would prohibit or materially restrict the operation of the Target Group or the Property having been enacted or taken by any PRC government authority;
- (f) all necessary consents or waivers being granted by third parties (including any governmental or official authorities) in connection with the transactions contemplated under the Acquisition Deed;
- (g) the warranties of the Purchaser under the Acquisition Deed remaining true and accurate in all material respects and not misleading in any material respect at Acquisition Completion as if repeated at Acquisition Completion (by reference to the facts and circumstances existing at Acquisition Completion); and
- (h) the warranties of the Vendor under the Acquisition Deed remaining true and accurate in all material respects and not misleading in any material respect at Acquisition Completion as if repeated at Acquisition Completion (by reference to the facts and circumstances existing at Acquisition Completion).

The Vendor and the Purchaser may not waive any of the Acquisition Conditions, except for Acquisition Condition (e) (which is only waivable to the extent such condition does not relate to PRC governmental authority), Acquisition Condition (h) (which may be waived by the Purchaser by notice in writing to the Vendor), and Acquisition Condition (g) (which may be waived by the Vendor by notice in writing to the Purchaser).

If any of the Acquisition Conditions have not been fulfilled or waived (if applicable) on or before the Long Stop Date (being 30 June 2022, or such other date as agreed by the Purchaser and the Vendor in writing), then neither the Purchaser nor the Vendor shall be bound to proceed with the Acquisition and the Acquisition Deed shall terminate without prejudice to any other right or remedy the parties to the Acquisition Deed may have.

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2.2.4 Completion of the Acquisition

Pursuant to the terms of the Acquisition Deed, Acquisition Completion shall take place on a mutually agreed Business Day between the Purchaser and the Vendor falling within 10 Business Days after the date on which all the Acquisition Conditions have been fulfilled (or waived, if applicable), or such other date as may be agreed by the Purchaser and the Vendor. As soon as practicable following Acquisition Completion, the Manager will issue an announcement to inform Unitholders that Acquisition Completion has occurred.

2.2.5 Termination of the Acquisition Deed

If Acquisition Completion has not taken place due to one party's failure to satisfy its completion obligation under the Acquisition Deed, the other party may by written notice terminate the Acquisition Deed without prejudice to the parties' rights and remedies under law.

In addition, the Purchaser may by written notice to the Vendor terminate the Acquisition Deed if any fact, matter or event arises or occurs which constitutes a material breach by the Vendor of its covenants, obligations or warranties under the Acquisition Deed and is likely to affect the business or financial position of any member of the Target Group in a materially adverse manner, or if any change, event or circumstance occurs that is likely to have a material adverse effect on the financial position of the Target Group as a whole. The Vendor may by written notice to the Purchaser terminate the Acquisition Deed if any fact, matter or event arises or occurs which constitutes a material breach by the Purchaser of its covenants, obligations or warranties under the Acquisition Deed.

2.2.6 Representations, warranties and indemnities in the Acquisition Deed

2.2.6.1 Representations and warranties

The Acquisition Deed contains customary representations and warranties (including fundamental warranties relating to title to the Sale Shares and to the Property, and other warranties relating to tax and compliance with all applicable laws and regulations by the members of the Target Group in conducting their respective businesses) to be made by the Vendor in respect of the members of the Target Group and the Property.

The maximum aggregate liability of the Vendor in respect of claims under the warranties and Relevant Indemnity Claims shall not exceed the Agreed Acquisition Amount, and is subject to a minimum per claim threshold of RMB3.2 million. Such claims shall only be recoverable from the Vendor if the aggregate amount recoverable in respect of all claims exceeds RMB12 million and the Vendor will be liable for the entire amount. Such thresholds were determined based on the parties' commercial negotiation and with reference to past acquisitions and disposals of Yuexiu REIT. The Manager considers that the thresholds are fair and reasonable and in the interests of Yuexiu REIT and its Unitholders as a whole.

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The Acquisition Deed also provides for a limitation period of three years from the Acquisition Completion Date for claims under the warranties and Relevant Indemnity Claims (other than those claims relating to tax warranties and the Relevant Indemnity Claims which pertain to tax warranties, in which case the limitation period is seven years from the Acquisition Completion Date). The Manager considers that the liability cap and limitation period are acceptable as they are in line with normal commercial terms expected of similar transactions, and that Unitholders' interests are sufficiently protected notwithstanding these limitations.

2.2.6.2 Indemnities

The Acquisition Deed also contains customary indemnities from the Vendor and Yuexiu Property, both of whom have irrevocably undertaken to indemnify, on a joint and several basis, Yuexiu REIT, the Trustee, the Manager, the Purchaser and each member of the Target Group, to the fullest extent permissible by law, for any liabilities, losses, damages, fines, fees, charges, penalties, premiums, expenses and costs (on a full indemnity basis) which any one of them may incur, suffer or sustain as a result of or in connection with the following:

- (i) any tax liability resulting from the Vendor's failure to fully comply with its tax obligations with respect to the Acquisition;
- (ii) any acts of, or transactions entered into by any member of the Target Group, before the Acquisition Completion Date (save to the extent that provision in respect thereof has been made in the management accounts of the Target Group or the Completion Statement); and
- (iii) the non-compliances as further described in sections 3.6.1 to 3.6.4 in this Circular.

“**Relevant Indemnity Claim**” refers to a claim under (ii) above arising out of or in connection with a fact or circumstance which may also give rise to a claim under any warranty. For the avoidance of doubt, a Relevant Indemnity Claim does not include a claim under (i) or (iii) above.

In addition, the Acquisition Deed contains tax covenants in respect of events occurring on or before Acquisition Completion and PRC Enterprise Income Tax payable by the Vendor in respect of the Acquisition.

The Vendor's liabilities in respect of any claim made against any indemnity (save for the Relevant Indemnity Claims) shall not be subject to the limitations on the minimum per claim threshold, the aggregate amount recoverable threshold or the maximum aggregate liability set out above. A limitation period of seven years from the Acquisition Completion Date would apply to claims under the tax covenants, Relevant Indemnity Claims which pertain to the tax warranties and the indemnities, save for: (a) the Relevant Indemnity Claims that do not relate to tax warranties in respect of which the limitation period shall be three years; and (b) claims under the indemnities for the non-compliances described in sections 3.6.1 to 3.6.4 in this Circular in respect of which the

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limitation period shall end upon the expiry of the land use rights pertaining to the relevant premises of the Property that such claims are concerned. The Manager considers, and the Independent Financial Adviser concurs, that the limitation periods are acceptable as they are in line with normal commercial terms expected in similar transactions, and that Unitholders' interests are sufficiently protected notwithstanding such limitations. For the specific view of the Independent Financial Adviser in respect of the limitations on liability of the Vendor under the Acquisition Deed, please refer to the letter from the Independent Financial Adviser appended to this Circular.

2.2.7 Guarantee of the Vendor's obligations under the Acquisition Deed

Yuexiu Property (as guarantor) has unconditionally and irrevocably guaranteed to the Purchaser the due and punctual payment of all amounts payable by the Vendor under the Acquisition Deed and due and punctual performance and observance by the Vendor of all its obligations, commitments, undertakings, warranties and indemnities under or pursuant to the Acquisition Deed.

2.2.8 The Vendor's tax obligations

As advised by the Manager's Tax Advisers, PricewaterhouseCoopers Limited, the obligation to pay PRC Enterprise Income Tax under Bulletin 7 for the Acquisition is borne by the Vendor with the Purchaser only having a withholding obligation.

The Manager understands from its Tax Advisers that in respect of the Acquisition: (i) the Vendor will first make its tax filing to the relevant PRC tax authority; and (ii) the relevant PRC tax authority will then review the figures submitted by the Vendor and inform the Vendor of the amount of tax payable thereafter. As advised by the Manager's Tax Advisers, PricewaterhouseCoopers Limited, it generally takes one to three months for the relevant PRC tax authority to complete the Bulletin 7 tax filings.

Pursuant to the Acquisition Deed, the Vendor shall, at its own expense, as soon as possible and in any event no later than 30 days after the date of the Acquisition Deed, truly, accurately and completely, report all relevant information on the entry into of the Acquisition Deed in accordance with Article 9 of Bulletin 7 to the relevant PRC tax authority. The Vendor shall, at its own expense: (a) as soon as possible and in any event no later than seven days after Acquisition Completion Date, inform or procure to inform the relevant PRC tax authority that Acquisition Completion has occurred; and (b) as soon as possible and in any event no later than seven days after agreement or determination of the Completion Statement, inform the relevant PRC tax authority of the adjustment of the Acquisition Consideration and the amount of the True-up Payment.

The Vendor shall provide the Purchaser with a copy of any and all of its written submissions to the relevant PRC tax authority in respect of the Acquisition, and a receipt in writing (受理單 / 回執) issued by the relevant PRC tax authority evidencing the submissions, as soon as practicable after the relevant submissions have been made. The Vendor shall promptly follow up with the relevant PRC tax authority in respect of its assessments to and payment of PRC tax on the Acquisition, submit all documents requested by the relevant PRC tax authority to be submitted by the Vendor in connection with the Acquisition, and promptly keep the Purchaser informed of the foregoing (including providing the Purchaser with copies of all correspondence with the relevant PRC tax authority and all documents issued by the relevant PRC tax authority).

LETTER TO THE UNITHOLDERS

The Vendor has also covenanted and undertaken in the Acquisition Deed to, among other things, settle and pay in full the PRC Enterprise Income Tax payable by it arising out of or relating to the Acquisition within the time period required by applicable law, rules and regulations as applied by the relevant PRC tax authority, even if the amount of PRC Enterprise Income Tax payable by the Vendor arising out of or relating to the Acquisition is greater than the EIT Withheld Amount and any Additional EIT Withheld Amount. The Acquisition Deed specifies that the funds in the EIT Segregated Account will only be released to the Vendor after it has provided the Purchaser with evidence that it has paid that amount of taxes payable by the Vendor in respect of the Acquisition, provided that the funds remaining in the EIT Segregated Account are equal to or greater than the amount of unpaid taxes the Vendor may be liable for arising out of or relating to the Acquisition.

The Vendor's liability for tax payable in respect of the Acquisition shall not be subject to the limitations on the minimum per claim threshold, aggregate amount recoverable threshold or the maximum aggregate liability set out in section 2.2.6 headed "The Acquisition — Key terms of the Acquisition Deed — Representations, warranties and indemnities in the Acquisition Deed" in this Circular above, but shall be subject to a limitation period of seven years from the Acquisition Completion Date.

As advised by the Manager's Tax Advisers, PricewaterhouseCoopers Limited, the estimated amount of tax payable under PRC Enterprise Income Tax Law and Bulletin 7 in respect of the Acquisition is within RMB10 million. In view of the above and the advice from its Tax Advisers, the Manager is of the view that the protection provided by the Vendor in respect of tax obligations under PRC Enterprise Income Tax Law and Bulletin 7, including the EIT Withheld Amount and any Additional EIT Withheld Amount, the Vendor's covenant to pay for any shortfall and the unconditional and irrevocable guarantee from Yuexiu Property, is sufficient and that the interests of the Unitholders are adequately protected.

3 THE PROPERTY

3.1 Description

The Property, known as "Yuexiu Financial Tower (越秀金融大厦)", is located at No. 28, Zhujiang East Avenue, Tianhe District, Guangzhou, Guangdong Province, PRC and has a total gross floor area of 210,282.94 sq.m. with a height of approximately 309 metres and comprises: (a) a 68-storey above-ground commercial building (comprising a 4-storey retail component and a 64-storey office component); and (b) a 4-storey basement with 827 underground carpark spaces (the "**Carpark Spaces**"). As an International Grade A office property, the Property has attracted multinational and reputable corporate tenants.

Upon Acquisition Completion, Yuexiu REIT will (through the Target Group) hold 100% of the Property. Simplified charts showing respectively: (i) current holding structure of the Property as at the Latest Practicable Date; (ii) expected holding structure of the Property as at the Acquisition Completion Date; and (iii) the expected holding structure of the Property following the completion of the Reverse Merger, are contained in sections 4.1 to 4.3 in this Circular.

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3.2 Location

The Property is located in the Core Area of ZJNT, a core central business district in Guangzhou. Guangzhou is the capital city of Guangdong province in Southern China and a key strategic location in the Greater Bay Area. Situated at a prime location, the Property also benefits from high levels of connectivity and accessibility. The Property is located at the central axis of the Core Area of ZJNT and is within walking distance of Zhujiang New Town Station, where metro lines 3 and 5 interchange, and also is 200 metres from Xiancun Station, where metro lines 13 and 18 will interchange. Metro line 18 was newly opened on 28 September 2021 and Phase 2 of line 13 is currently under construction and is expected to open in 2022. Metro line 18 has become the key vertical line connecting Tianhe District with Panyu District and Nansha District in Guangzhou from the north side to the south side, whereas metro line 13 will become the key horizontal line in the Guangzhou metro network spanning from the east side to the west side of the urban area in Guangzhou. Other than the metro lines, the Property is also near the automated people mover system, which operates from other parts of Tianhe District to Haizhu District.

3.3 Key information

The following table sets out certain key information relating to the Property as at 30 September 2021, except where otherwise specified:

Address:	No. 28, Zhujiang East Avenue, Tianhe District, Guangzhou, Guangdong Province, PRC
Year and month of completion:	August 2015
Term of land use rights⁽¹⁾:	The period commencing on 16 April 2007 and ending on 15 April 2057 in respect of the office portion and the Carpark Spaces The period commencing on 16 April 2007 and ending on 15 April 2047 in respect of the retail portion
Ownership certificates (不動產權證):	Obtained in 2017
Gross floor area:	Office: 166,378.62 sq.m. Retail: 3,818.19 sq.m. Carpark Spaces: 10,289.05 sq.m. Other: 29,797.08 sq.m. ⁽²⁾
Gross rentable area⁽³⁾:	Office: 166,378.62 sq.m. Retail: 3,818.19 sq.m.
Net lettable area⁽³⁾:	Office: 119,598.67 sq.m. Retail: 2,859.51 sq.m.

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Number of Carpark Spaces:	827
Number of tenants (excluding Carpark Spaces)⁽⁴⁾:	191
Average rent (RMB/sq.m.) (excluding Carpark Spaces) for the month of September 2021⁽⁵⁾:	Office: RMB199.30 Retail: RMB223.32
Percentage of gross rented area leased to top 10 tenants (excluding Carpark Spaces)⁽⁶⁾:	43.9%
Percentage of total monthly rent from top 10 tenants (excluding Carpark Spaces):	43.0%
Occupancy rate⁽⁷⁾:	Office: 93.8% Retail: 100%
Revenue for the six months ended 30 June 2021:	RMB198.46 million
Appraised Value as at 31 August 2021:	RMB8,030 million

Notes:

- (1) As advised by the PRC Legal Advisers, according to the Law of the People's Republic of China on Administration of Urban Real Estate, if the land user intends to continue to use the land upon expiry of the use term, such user shall file an application for a land use right extension at least one year prior to expiry of the use term. The land may not be available when it needs to be expropriated for social public interest. If the land use right extension is approved, a new land use right grant contract shall be signed and the land premium shall be paid according to the relevant regulations. As such, as advised by the PRC Legal Advisers, unless the government plans to expropriate the land due to public interest, the land user may extend the land use right in accordance with PRC laws and administrative regulations. However, there can be no assurance that a land use right extension can always be obtained.
- (2) Includes public utility rooms, fire refuge floors, common area and the Citizens Passage. As set out in section 3.6.2 headed "The Property — Due diligence review — Citizens Passage" below, no real estate certificate has ever been obtained in respect of the Citizens Passage.
- (3) Gross rentable area refers to the aggregate of the gross floor area for the individual office and retail units stated on their respective real estate ownership certificates, whereas net lettable area refers to the aggregate of the usable area stated on those real estate ownership certificates.
- (4) As at 30 September 2021, 14 tenants of the Property are affiliated companies of Fortune Global 500 enterprises, which include among others, China Resources, China Minmetals, China Everbright Group, Ping An Insurance, Allianz, Lenovo Group, Volkswagen, COFCO.

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- (5) Average rent per leased sq.m. is based on current gross (base) rent.
- (6) Top 10 tenants by gross rented area. Approximately 16.3% of the office gross floor area (based on signed leases) is leased to members of Yuexiu Connected Persons Group, being connected persons of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). Approximately 25.5% of the total monthly rent received by the Project Companies is attributable to tenants who are members of the Yuexiu Connected Persons Group. Please refer to section 3.4.3 headed “The Property — Operating statistics — Top 10 tenants by gross floor area as at 30 September 2021 based on signed leases” in this Circular for further details.
- (7) Occupancy rate is calculated based on gross rented area divided by total gross rentable area.

3.4 Operating statistics

3.4.1 Tenant profile and details of tenancy mix

The table below sets out details of the overall tenant diversification of the Property, in terms of trade sub-sector by reference to total gross rented area as at 30 September 2021 and total gross rental income for the month ended 30 September 2021:

Trade sector	Percentage by gross rented area	Percentage by gross rental income
Commercial services	27.6%	25.2%
Real estate	12.9%	15.0%
Manufacturing	13.4%	12.6%
Information technology	15.5%	14.3%
Finance	29.2%	31.7%
Cultural, sports and entertainment	0.5%	0.6%
Logistics services	0.7%	0.5%
Food and beverage services	0.2%	0.1%
Total	<u>100.0%</u>	<u>100.0%</u>

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3.4.2 Schedule of tenancy expirations

The following table sets forth details of the percentage of expiries in respect of the leases of the Property as at 30 September 2021, which are scheduled to take place during the periods indicated below:

Period	Gross rented area of leases expiring as a percentage of total gross rented area⁽¹⁾⁽⁴⁾	Gross rental income of leases expiring as a percentage of total gross rental income⁽²⁾⁽⁴⁾
Year ending 31 December 2021 ⁽³⁾	17.4%	19.1%
Year ending 31 December 2022	10.5%	11.8%
Year ending 31 December 2023	24.8%	24.1%
Year ending 31 December 2024	14.6%	15.4%
Year ending 31 December 2025 and beyond	<u>32.7%</u>	<u>29.6%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

Notes:

- (1) Based on total gross rented area as at 30 September 2021.
- (2) Based on total gross rental income for the month ended 30 September 2021.
- (3) As at 30 September 2021, approximately 80% of these expiring leases had already been renewed or the tenants are already in the process of negotiating renewal agreements.
- (4) Figures were computed assuming no exercise of any lease renewal rights and that the leases terminate after their fixed lease terms.

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3.4.3 Top 10 tenants by gross floor area as at 30 September 2021 based on signed leases

The following table sets forth details of the top 10 tenants by gross floor area as at 30 September 2021 based on signed leases:

No.	Trade sector	Tenancy expiry dates	Gross floor area (sq.m.)	Proportion of gross floor area	Monthly Rent (RMB)	Proportion of monthly rent
1	Mixed: Finance, Real Estate, Business Services (A total of 42 Connected Leases)	30 Nov 2021 to 31 Dec 2025	25,676.57	16.3%	8,158,062	25.5%
2	Commercial service	14 Sep 2025 to 30 Nov 2028	8,035.27	5.0%	1,763,441	5.5%
3	Manufacturing	31 Aug 2026	6,256.05	3.9%	1,060,550	3.3%
4	Information Technology	30 Jun 2025	6,100.35	3.8%	1,016,725	3.2%
5	Commercial service	30 Jun 2025	5,590.45	3.5%	634,663	2.0%
6	Manufacturing	30 Jun 2023	5,465.39	3.4%	1,045,607	3.3%
7	Information Technology	30 Jun 2023 to 31 Mar 2026	4,192.05	2.6%	657,577	2.1%
8	Finance	31 Mar 2025	3,171.07	2.0%	561,733	1.8%
9	Commercial service	30 Nov 2021	2,739.98	1.7%	419,575	1.3%
10	Finance	31 Dec 2021 to 29 Feb 2024	2,473.90	1.6%	486,469	1.5%

Note: If tenancy agreements for different premises are entered into by different entities belonging to the same group, they are treated as a single tenant, and the relevant figures are combined for the purpose of this table.

3.4.4 Rental yield

Based on the Appraised Value and audited financial information, the rental yield of the Property (as calculated by dividing the annualised rental income by the Appraised Value, before considering potential income from Naming Rights Agreement and Carpark Master Lease Agreement, which will become effective upon Acquisition Completion) is 4.52% and 4.80% for the year ended 31 December 2020 and the six months ended 30 June 2021, respectively.

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3.4.5 *Delinquency rates*

No provision was made for unpaid rents for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021 in respect of the Property.

3.5 **Property valuation**

Colliers International (Hong Kong) Limited, the current principal valuer of Yuexiu REIT, has been appointed as the Independent Property Valuer to appraise the value of the Property for the purpose of the Acquisition. The Appraised Value (as appraised by the Independent Property Valuer as at 31 August 2021) was RMB8,030 million. The Agreed Acquisition Amount is RMB7,800 million, representing a discount of 2.9% to the Appraised Value.

In arriving at the Appraised Value, the Independent Property Valuer has made use of the income capitalisation method cross-referenced with the market approach. The income capitalisation method estimates the value of property or assets on a market basis by capitalising net rental income on a fully leased basis. This technique considers both the current passing rental income from existing tenancies and the potential future reversionary income at market level by capitalising both at appropriate rates. The market approach is based on comparing the Property directly with other comparable properties which were recently offered or changed hands. For further details on the methods and bases of the valuation of the Property, please refer to Appendix 5A headed “Valuation Report on the Property” to this Circular.

The Appraised Value as at 31 August 2021 as determined by the Independent Property Valuer for Yuexiu REIT (being RMB8,030 million as set out in the Valuation Report) is different to the value of the Property as at 30 June 2021 as determined by the independent property valuer for Yuexiu Property (being RMB6,874.7 million as set out in the Accountant’s Report) due to different bases and assumptions being adopted by the two independent valuers, in particular the capitalisation rate adopted. As stated in the letter from the Independent Financial Adviser, based on the grounds set out therein and having reviewed and discussed with the Independent Property Valuer on their valuation model and list of comparables and term/reversionary yields adopted, the Independent Financial Adviser considers that the bases and assumptions adopted to arrive at the Appraised Value are fair and reasonable and in line with market practice. For further detail, please refer to section 5.2.2 of the letter from the Independent Financial Adviser headed “Valuation bases and assumptions”. Having considered the letter from the Independent Financial Adviser, the Manager also concurs with the view of the Independent Financial Adviser that the bases and assumptions adopted to arrive at the Appraised Value are fair and reasonable and in line with market practice.

The Appraised Value, which is arrived at with reference to the income generating ability of the Property, as well as recent transactions as compared with other comparable properties, does not take into account the other assets and liabilities of the Target Group and is not equivalent to the value of the Target Group. However, as the Acquisition is conducted by way of a purchase of the Sale Shares, the Acquisition Consideration also takes into account other assets and liabilities of the Target Group. Accordingly, the Acquisition Consideration will be different from the Appraised Value. Given the Agreed Acquisition Amount is at a discount to the Appraised Value, the Manager considers such amount to be fair and reasonable. For further details regarding the determination of the Acquisition Consideration, please refer to section 2.2.1 headed “The Acquisition — Key terms of the Acquisition Deed — Consideration and payment terms for the Acquisition” in this Circular.

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3.6 Due diligence review

The Manager has conducted, and is satisfied with the results of, due diligence in respect of the Property and the Target Group, and no material irregularities or non-compliance issues have been noted as at the Latest Practicable Date. Such due diligence has been carried out in accordance with the relevant provisions of the REIT Code and the Listing Rules and the Manager's compliance manual. As advised by the PRC Legal Advisers, Yuexiu REIT will hold good, marketable, legal and beneficial title to the Property after the Acquisition Completion.

The Building Consultant has also carried out an inspection and a survey of the Property. Such inspection revealed that both the building and structural fabrics, and the building services installations of the Property have been maintained in a good condition with only minor rectification works required to be carried out.

In respect of the non-compliances set out in sections 3.6.1 to 3.6.4 below, the Manager proposes to strengthen the contract terms of any lease that will be entered into in the future in respect of the relevant area, by including provisions that: (i) the tenant is fully aware of the permitted use of the relevant area and shall not request the Project Companies to assume any liabilities for the Non-conforming Uses; and (ii) allow the Project Companies as landlord to unilaterally terminate the lease without liability should the relevant authorities require rectification of the Non-conforming Uses. As for any liability which may arise from terminating the subsisting leases for the affected areas early due to the rectification orders, given these leases are already in place which Yuexiu REIT will assume at Acquisition Completion, the Manager intends to rely on the indemnity described in section 3.6.5 below, which the Manager considers to be sufficient to cover any such liability, as well as any losses, damages, fines, fees, charges, penalties, charges, penalties, premiums, expenses and costs which Yuexiu REIT may otherwise suffer.

3.6.1 Non-conforming uses of certain premises

According to the relevant title and government documents and permits relating to the Property: (i) the underground premises of the Property shall be used as carparks and in times of war as a civil defence shelter; (ii) the Citizens Passage (as defined below) was designated by the Guangzhou government as being set aside for the purpose of facilitating foot traffic in ZJNT; and (iii) certain premises of the Property shall serve as common areas and municipal public services facilities (the "**Designated Uses**").

However, based on the Manager's due diligence: (i) certain underground premises of the Property with a gross floor area of approximately 202.8 sq.m. (representing approximately 0.10% of the total gross floor area of the Property) have been leased to independent third party tenants for warehousing and logistics purposes and ancillary uses; (ii) the premises within the Citizens Passage with a gross floor area of approximately 340 sq.m. (representing approximately 0.16% of the total gross floor area of the Property) have been leased to an independent third party tenant to operate as a food and beverage outlet; and (iii) certain premises designated to be common areas or used as municipal public services facilities with a gross floor area of approximately 4,435.34 sq.m. (representing approximately 2.11% of the total gross floor area of the Property) have been leased to connected and independent tenants to carry on their businesses, all of which are inconsistent with the Designated Uses (collectively, "**Non-conforming Uses**"). As advised by the PRC Legal Advisers, the

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Non-conforming Uses may subject the Property to certain legal consequences and enforcement actions including fines of up to RMB30,000, rectification orders, repossession, and confiscation of income generated from Non-conforming Uses by the relevant PRC land authorities in accordance with the relevant laws and regulations of the PRC.

However, the PRC Legal Advisers have advised that the Non-conforming Uses would not affect the enforceability or legality of the relevant subsisting leases for the affected areas or the Project Companies' good marketable legal and beneficial title to the Property, and the Project Companies have not received any notices, orders, enquiries, investigations or administrative penalties, nor have they ever been required to rectify or pay penalties as a result of such non-compliance since the Property was completed in 2015. The PRC Legal Advisers have further advised that: (i) the Non-conforming Uses will not, in and of themselves, prevent the Property from being leased, bought, sold or being accepted by banks as security for mortgages; and (ii) the risk of any of the above-mentioned enforcement actions being imposed in respect of the Non-conforming Uses is practically non-existent. Having regard to the above and the indemnity provided by the Vendor which covers the penalties, liabilities, losses, damages, fines, fees, charges, premiums, expenses and costs (on a full indemnity basis) sustained, incurred or suffered as a result of the Non-conforming Uses, the Manager does not consider this issue to pose a material risk to Yuexiu REIT. The Manager is of the view that the Non-conforming Uses are immaterial non-compliances which are not expected to have a material and adverse impact on the financial condition and business of Yuexiu REIT.

3.6.2 Citizens Passage

Certain premises on the third floor of the Property with a gross floor area of approximately 960.7 sq.m. were originally built by the developer of the Property to be a public passageway (the “**Citizens Passage**”) as part of a citywide pedestrian traffic network planned pursuant to a scheme of the municipal government to promote foot traffic in ZJNT. Such scheme has since been aborted, and premises within the Citizens Passage have been leased to an independent tenant to operate as a food and beverage outlet (with a total gross floor area of approximately 340 sq.m.). Based on the Manager's due diligence, no real estate ownership certificate (不動產權證) had ever been obtained in respect of the Citizens Passage.

As advised by the PRC Legal Advisers, due to its unique history and lack of real estate ownership certificate, it is unclear whether the Citizens Passage would be classified as municipal public services facilities and hence be requisitioned by the municipal government for public use. However, as GCCDL (being the original developer of the Property) obtained the legal title stemming from legal construction in accordance with Article 231 of the PRC Civil Code and confirmed that its ownership regarding the Property (including the Citizens Passage) has been transferred to the Project Companies, the PRC Legal Advisers are of the view that, despite the absence of the real estate ownership certificate for the Citizens Passage: (i) the Project Companies have valid and legal title to the Citizens Passage unless and until the Citizens Passage is formally requisitioned and repossessed by the municipal government; and (ii) as the registered legal owners of the land use rights and ownership rights underlying the Property, the Project Companies have obtained all the requisite licences, permits and certificates required for the Property and are the owners of the Property. Such ownership is protected under PRC law.

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As also advised by the PRC Legal Advisers: (i) Yuexiu REIT will hold good marketable legal and beneficial title to the Citizens Passage after Acquisition Completion; (ii) the lack of real estate ownership certificate will not, in and of itself, prevent the Property from being leased, bought, sold or being accepted by banks as security for mortgages; and (iii) the risk of the Citizens Passage being formally requisitioned and repossessed is practically non-existent. Having regard to the above and the indemnity provided by the Vendor in respect of any potential loss suffered from the Citizens Passage being requisitioned and repossessed by the relevant authorities, the Manager does not consider this issue to pose a material risk to Yuexiu REIT.

3.6.3 Change of location of certain public facilities

According to the building planning permit (建設工程規劃許可證) and relevant replies from the planning authority, a post office with a gross floor area of approximately 200 sq.m. shall be built within the Property as an ancillary public facility. However, such post office was built outside the premises of the Property. None of the Project Companies have obtained written approval on the change of location of such public facility.

As advised by the PRC Legal Advisers, according to the PRC Urban and Rural Planning Law (《中華人民共和國城鄉規劃法》) and relevant regulations, the competent authority may order the GCCDL (being the original developer of the property) or the Project Companies to rectify the non-compliant construction within a limited period, and for those that cannot be rectified, a penalty in the amount of 5% to 10% of the construction cost may be imposed, which based on the Manager's calculation, could potentially amount to a maximum penalty of approximately RMB120,000. In addition, the competent authority may also confiscate the non-compliant portion of the Property and any income generated in relation to the non-compliant portion.

As advised by the PRC Legal Advisers, the change of location of the post office would not adversely affect the Project Companies' legal title to the Property, or the enforceability or legality of the relevant leases for the Property. Having regard to the above and the indemnity provided by the Vendor which covers any penalties the relevant authorities may impose as a result of such non-compliance, the Manager does not consider this issue to pose a material risk to Yuexiu REIT.

3.6.4 Non-registration of lease agreements

As at the Latest Practicable Date, the Project Companies were unable to register all of the lease agreements in respect of the Property with the relevant land and real estate administration bureau, primarily due to reasons outside the Project Companies' control such as obtaining the co-operation of the relevant tenants and authorities in connection with such registration. As advised by the PRC Legal Advisers, according to the Administrative Measures for Leasing of Commodity Housing (《商品房屋租賃管理辦法》), where the Project Companies fail to make correction within the stipulated period, a fine of RMB1,000 to RMB10,000 shall be imposed on the Project Companies for non-registration of lease agreements, and the maximum aggregate amount of penalty payable by the Project Companies in respect of such unregistered lease agreements is approximately RMB150,000.

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As advised by the PRC Legal Advisers, non-registration of the abovementioned lease agreements does not affect the rights or entitlements of the Project Companies to lease out the Property to tenants, or the validity or the binding effect of the lease agreements. As at the Latest Practicable Date, none of the Project Companies had received a request from any government authority of the PRC to complete the registration formalities or been penalised for the non-registration of the lease agreements. Having regard to the above and the indemnity provided by the Vendor which covers any penalties, liabilities, losses, damages, fines, fees, charges, premiums, expenses and costs (on a full indemnity basis) sustained, incurred or suffered as a result of the non-registration of lease agreements, the Manager does not consider this issue to pose a material risk to Yuexiu REIT.

3.6.5 Indemnity

The aggregate amount of rent attributable to the areas concerning the non-compliances set out in sections 3.6.1 to 3.6.4 above is approximately RMB1.04 million, and accounted for approximately 3.3% of the total rent received for the month ended 30 September 2021.

Pursuant to the Acquisition Deed, the Vendor and Yuexiu Property irrevocably undertook to indemnify, on a joint and several basis, Yuexiu REIT, the Trustee, the Purchaser, the Target Group, and the Manager, to the fullest extent permissible by law, for any liabilities, losses, damages, fines, fees, charges, penalties, premiums, expenses and costs (on a full indemnity basis) which any one of them may incur, suffer or sustain as a result of the non-compliances described in sections 3.6.1 to 3.6.4 above.

The abovementioned indemnity will not be subject to any minimum per claim threshold, aggregate amount recoverable threshold or maximum aggregate liability limit, but will expire upon the expiry of the land use rights pertaining to the relevant premises of the Property that any such indemnity claims are concerned. As any penalties, rectification costs and land premiums payable would be covered under the indemnity provided by the Vendor and having regard to the PRC Legal Advisers' opinion, the Manager is of the view that the abovementioned non-compliances are immaterial and are not reasonably expected to have a material and adverse impact on the financial condition and business of Yuexiu REIT. The Manager considers the aforementioned indemnity to be sufficient and that the interests of the Unitholders are adequately protected.

3.7 Ownership

The PRC Legal Advisers have advised that the Project Companies have legally obtained the state-owned land use rights and are the sole users of the land use rights in respect of the Property. The PRC Legal Advisers have also advised that the Project Companies are the sole owners of the building ownership rights underlying the Property and that such rights are free from encumbrances, save for the existing mortgages on all the aboveground units and part of the carpark spaces of the Property. As advised by the PRC Legal Advisers: (i) the existing mortgages will be discharged prior to Acquisition Completion since the underlying loans will be repaid before then; and (ii) there is no legal impediment to the discharge of the existing mortgages before Acquisition Completion.

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The PRC Legal Advisers are of the view that the Project Companies legally own, occupy, transfer and lease out the Property in accordance with the relevant PRC laws free from encumbrances subject to the existing leases. Based on the above advice of the PRC Legal Advisers, the Manager is of the view that Yuexiu REIT will have good, marketable, legal and beneficial title to the Property through the Target Group upon Acquisition Completion.

According to the Law of the People's Republic of China on Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》), if the land user intends to continue to use the land upon expiry of the use term (being 15 April 2057 in respect of the office portion and the Carpark Spaces, and 15 April 2047 in respect of the retail portion), such user shall file an application for a land use right extension at least one year prior to expiry of the use term. The approval shall ordinarily be granted except when the land needs to be expropriated for social public interest. If the land use right extension is approved, a new land use right grant contract shall be signed and the land premium shall be paid according to the relevant regulations. The PRC Legal Advisers have therefore advised that a land user may extend the land use right in accordance with PRC laws and administrative regulations, and the likelihood of such extension not being granted is low. However, there can be no assurance that a land use right extension can always be obtained.

3.8 Lease agreements

3.8.1 Terms and termination

The lease agreements (including the Connected Leases and leases with independent third parties) in respect of the Property are generally for two to five year terms, depending on factors such as the size of the leased premises, duration of the lease and tenant profile. Most leases have fixed terms, but in some lease agreements the tenants and the landlord have agreed on an optional term at the discretion of the tenants for renewal apart from the fixed term.

At the time of entering into a lease, the tenants of the Property are required to provide a security deposit, which is generally the aggregate of not more than three months' rent and management fees. Security deposits do not bear interest. Most of the tenants are required to pay their rents on a monthly basis or with a longer payment period depending on the negotiation by both parties, on or around the beginning of each payment period. Consistent with market practice, rent-free periods, which vary depending on market conditions at the time of negotiation, lease terms and leased areas, are commonly granted to the office tenants by the landlord.

Under the lease agreements, the tenants are responsible for payment of property management fees, utilities and other outgoings. The tenants are also responsible for repair costs and all other expenses relating to the interior of the premises, while the landlord is responsible for repair costs relating to the main building structure. In the event that the premises or any part of it is damaged, destroyed or otherwise rendered unfit for use by fire, typhoon or other force majeure events other than as a result of the negligence or fault of the tenants and provided that such damage or destruction is not repaired or reinstated within three months after such event, according to most of the leases, the landlord or the tenant shall be entitled to terminate the lease by written notice to the other party. The landlord may in its sole discretion reduce the rent payable by the tenant according to the nature and

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extent of the damage sustained until the damage is fully repaired or reinstated by the landlord, but the landlord is not obliged to repair or reinstate the damage. The tenants are not permitted to assign or sublet the premises, unless it is expressly agreed in the leases that they may assign or sublet the leased property to affiliated enterprises of the tenants or third parties after the landlord's consent is given.

The majority of the lease agreements do not enable tenants to terminate their leases ahead of the scheduled expiration dates, unless the landlord delays in delivery of the premises or the premises suffer from serious defects which render them unfit for use, in which case tenants may terminate their leases where the landlord fails to deliver or rectify those defects (as the case may be) within 30 days upon receiving tenants' written notices. If a tenant unilaterally terminates the lease for reasons other than the ones mentioned above without the landlord's consent, the tenant shall compensate the landlord for any costs, expenses, losses or damages sustained by the latter, including but not limited to any legal fees, loss of rent and other fees, which the landlord would otherwise be entitled to receive under the lease but for the tenant's unilateral termination thereof. The landlord is entitled to forfeit all the security deposit paid and any other fees prepaid by such tenant to offset costs, expenses, losses or damages referred to above and claim against such tenant for any shortfall. In addition, the landlord has the right to terminate a lease upon the occurrence of certain events, such as delay in rental payment beyond a period of 30 days or other agreed conditions of breach of covenants by the tenant.

3.8.2 Connected Leases in respect of the Property

Certain lease agreements of the Property were entered into between the Project Companies and tenants who are connected persons of Yuexiu REIT (collectively, the "**Connected Tenants**") (these lease agreements being the "**Connected Leases**"). These Connected Tenants are all subsidiaries of GZYX, Yue Xiu or Yuexiu Property, other than one which is a 30%-controlled company (as defined in the Listing Rules) by GZYX, and as such, are associates of the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield). For the month of September 2021, the rent received under the Connected Leases represents approximately 25.5% of the total rent generated by the Property. On Acquisition Completion, these Connected Leases will be assumed by Yuexiu REIT by virtue of its indirect acquisition of the Project Companies.

If the Ordinary Resolution in respect of the CCPT Matters Requiring Approval is approved by the Independent Unitholders at the EGM, the Connected Leases will be subject to and governed by the Yuexiu Leasing Framework Agreement and be subject to the Revised Annual Caps. For details regarding the Yuexiu Leasing Framework Agreement and the Revised Annual Caps therefor, please refer to section 11.2.1 headed "Continuing Connected Party Transactions — Non-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group — Yuexiu Leasing Framework Agreement" in this Circular.

Conversely, if the Ordinary Resolution in respect of the CCPT Matters Requiring Approval is not approved at the EGM, the Connected Leases will be subject to the terms of the 2020 Extended Waiver and the annual caps thereunder.

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For the avoidance of doubt, if Acquisition Completion takes place before 31 December 2021, the Connected Leases will be subject to the terms of the 2020 Extended Waiver and the annual caps thereunder for the remaining period ending 31 December 2021. In the event that the annual cap is exceeded, the Manager will re-comply with the applicable requirements under the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

Colliers International (Hong Kong) Limited, the current principal valuer of Yuexiu REIT, has confirmed that: (i) the rental/licence fees in respect of these Connected Leases were at prevailing market levels as at their respective agreement dates; (ii) the other commercial terms in the Connected Leases such as tenure, rental deposits and break clauses were on normal commercial terms; and (iii) the terms of the Connected Leases are fair and reasonable. The Manager is also of the view that the Connected Leases are in the interests of Yuexiu REIT and its Unitholders as a whole.

3.9 Management strategy

3.9.1 Overall strategy

On Acquisition Completion, the Manager intends to continue with the same key objectives and principal investment strategies for Yuexiu REIT. Certain aspects of these strategies are described below.

(a) Increasing returns through asset enhancement

The Manager will continue to explore scope for improvements that will create additional value for the properties of Yuexiu REIT. Advice from professional consultants and advisers will be sought for any possible asset enhancement plan as and when appropriate. Possible enhancement measures include modifications of the lettable space, change or addition of use and increasing the connectivity and accessibility of the properties of Yuexiu REIT, subject to compliance with all the relevant laws and regulations.

As at the Latest Practicable Date, there are no specific plans for renovation or improvement of the Property. The Manager may or may not carry out such activities depending on the needs of the Property as the Manager considers appropriate.

(b) Pro-actively managing and leasing properties

The Manager shall work closely with the property managers and the leasing agents to ensure that high quality services are provided to the tenants and customers of the properties of Yuexiu REIT. To this end, the Manager will continue to provide professional training to its staff and monitor the performance of the property managers and the leasing agents to ensure that consistent and professional services are provided to meet the tenants' needs. The Manager seeks to procure that the performance of existing leases are regularly monitored.

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(c) Maximising rental income of the properties

The Manager will continue to maximise the rental income of the properties of Yuexiu REIT by offering competitive rental packages and optimising the balance between the occupancy rates, rental rates and tenant mix of the properties. Appropriate leasing strategies suited to the local market will be developed and implemented, and the Manager will also continue to review and improve the tenant mix and facility layout of the properties so as to maximise the value of the properties of Yuexiu REIT.

3.9.2 Management of the Property

Upon Acquisition Completion, the Property shall be managed pursuant to the following agreements, with the Manager supervising the same.

(a) Yuexiu Framework Agreements

On 24 October 2021, the Manager entered into: (i) the Yuexiu Leasing Framework Agreement with GZYY; (ii) the Yuexiu Tenancy Services Framework Agreement with Yuexiu Property; and (iii) the Yuexiu Property Management Framework Agreement with GZYY. The Yuexiu Framework Agreements set out the terms and conditions and pricing policies governing the Connected Leasing Transactions, the Connected TSAs and the Connected PMAs which are either in place or to be entered into or renewed from time to time by Yuexiu REIT (including those pertaining to the Property that will be held by Yuexiu REIT upon Acquisition Completion). Each of the Yuexiu Framework Agreements will be for a term of two years from 1 January 2022 to 31 December 2023, which may be renewed for a successive period of two years (or for any other period which may be shorter or longer than two years as the parties may agree otherwise, provided that such other period will not be longer than three years). The Yuexiu Framework Agreements will be conditional upon the passing of the EGM Resolutions to approve the Matters Requiring Approval.

Each Yuexiu Framework Agreement requires the parties thereto to procure the relevant contracting parties to the Connected Leasing Transactions, the Connected TSAs and the Connected PMAs (as the case may be) to ensure that such transactions shall be entered into or otherwise conducted: (a) in writing; (b) on an arm's length basis and in the ordinary and usual course of business of Yuexiu REIT; (c) on normal commercial terms or better (as defined under Rule 14A.06(26) of the Listing Rules) that are fair and reasonable and in the best interests of the Unitholders; (d) at the prevailing market rate for similar transactions; and (e) in compliance with the terms of such Yuexiu Framework Agreement and all applicable provisions of the REIT Code, the Listing Rules and the Trust Deed. For further details of each of the Yuexiu Framework Agreements, please refer to sections 11.2 and 11.3 headed "Continuing Connected Party Transactions — Non-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group" and "Continuing Connected Party Transactions — Fully-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group" in this Circular.

The Property Management Agreement, the Tenancy Services Agreement, the Carpark Master Lease Agreement and the Naming Rights Agreement will each be subject to and governed by the terms of the relevant Yuexiu Framework Agreement, as more particularly described in this section 3.9.2.

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(b) Property Management Agreement

The Project Companies and the Property Manager entered into a property management agreement dated 31 July 2020 (as amended and supplemented, the “**Property Management Agreement**”), pursuant to which the Property Manager agreed to act as the property manager of the Property and provide property management services in respect of the Property for a term of three years from 1 August 2020 to 31 July 2023.

Under the Property Management Agreement, the Property Manager is entitled to collect a property management fee from the tenants at a rate of RMB33.0 per sq.m. per month for the office portion of the Property, and generally RMB50.0 per sq.m. per month for the retail portion of the Property depending on the tenant profile and the actual monthly property management expenses of the Property. No property management fees shall be payable under the Property Management Agreement in respect of the Carpark Spaces.

The property management fees so collected by the Property Manager will be used for payment of, amongst other things, the reimbursement of the Property Manager’s staff costs, common area maintenance expenses, cleaning and landscaping expenses, insurance expenses, relevant taxes as well as the Property Manager’s remuneration.

The services provided by the Property Manager under the Property Management Agreement include, among other things, upkeep, repair and maintenance services of the common areas and facilities of the Property, monitoring and security services, obtaining the relevant insurances required for the Property, drawing up a user manual and establishing local rules for the Property (which is subject to the approval of the Project Companies), as well as producing annual property management plans (for the review and approval by the Project Companies). The Property Manager may appoint specialised service providers to carry out specialised property management functions but may not delegate the whole of its property management responsibilities under this agreement to another person.

The Property Manager is indirectly owned as to 80.0% by Yuexiu Services, which in turn is an indirect non-wholly-owned subsidiary of Yuexiu Property. As Yuexiu Property also directly wholly-owns the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield), Yuexiu Services is a fellow subsidiary (and hence an associate) of the Manager and Dragon Yield. The same applies to the Property Manager and the Property Manager is therefore a connected person of Yuexiu REIT. The transactions carried out under the Property Management Agreement are subject to and in compliance with the Yuexiu Property Management Framework Agreement (including the Revised Annual Caps set out therein) entered into between the Manager and GZYZ on 24 October 2021, the details of which are set out in section 11.3.1 headed “Continuing Connected Party Transactions — Fully-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group — Yuexiu Property Management Framework Agreement” in this Circular.

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(c) Tenancy Services Agreement

On 24 October 2021, the Project Companies and the Property Tenancy Services Company entered into a tenancy services agreement (the “**Tenancy Services Agreement**”), pursuant to which the Property Tenancy Services Company, subject to Acquisition Completion, shall provide tenancy services to all tenants of the Property from the Acquisition Completion Date to 31 December 2023. The tenancy services include, among other things: (i) lease management services; (ii) rental collection services; (iii) tenant relationship management services; and (iv) marketing services. As consideration for such services, an annual leasing agent’s fee of 3.0% of the gross annual revenue for the Property (excluding the revenue generated under the Naming Rights Agreement and the Carpark Master Lease Agreement) will be charged by the Property Tenancy Services Company. The Manager considers the percentage of leasing agent’s fee to be in line with those applicable to the Existing Properties which ranges from 3% to 4% of the gross annual revenue of the respective property.

As noted above, Yuexiu Services is a fellow subsidiary (and hence an associate) of the Manager and Dragon Yield, and the same applies to the Property Tenancy Services Company which is indirectly wholly-owned by Yuexiu Services. The Property Tenancy Services Company is therefore a connected person of Yuexiu REIT and the transactions carried out under the Tenancy Services Agreement will be subject to and in compliance with the Yuexiu Tenancy Services Framework Agreement (including the Revised Annual Caps set out therein) entered into between the Manager and Yuexiu Property on 24 October 2021, the details of which are set out in section 11.2.2 headed “Continuing Connected Party Transactions — Non-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group — Yuexiu Tenancy Services Framework Agreement” in this Circular.

(d) Carpark Master Lease Agreement

On 24 October 2021, the Project Companies and the Carpark Master Lessee entered into a new carpark master lease agreement (the “**Carpark Master Lease Agreement**”), pursuant to which the Carpark Spaces as a whole, subject to Acquisition Completion, will be leased to the Carpark Master Lessee for the period commencing from Acquisition Completion Date to 31 December 2024 for RMB14,180,000 per year. The Carpark Master Lease Agreement may be renewed at the option of the Project Companies after expiry of the initial term, subject to agreement between the parties thereto. The Carpark Master Lessee may itself, or engage another operator to, manage and operate the Carpark Spaces.

The Carpark Master Lessee is an indirect wholly-owned subsidiary of Yuexiu Property. As Yuexiu Property also directly wholly-owns the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield), the Carpark Master Lessee is a fellow subsidiary (and hence an associate) of the Manager and Dragon Yield and therefore a connected person of Yuexiu REIT. The transactions carried out under the Carpark Master Lease Agreement will be subject to and in compliance with the Yuexiu Leasing Framework Agreement (including the Revised Annual Caps set out therein) entered into between the Manager and GZYX on 24 October 2021, the details of which are set out in section 11.2.1 headed “Continuing Connected Party Transactions — Non-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group — Yuexiu Leasing Framework Agreement” in this Circular. For the avoidance of doubt, if the Ordinary Resolution in respect of the CCPT Matters Requiring Approval is not approved at the EGM, the transactions under the Carpark Master Lease Agreement, if any, will be subject to the 2020 Extended Waiver and the annual caps thereunder, which will continue to apply until its expiry on 31 December 2023.

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Colliers International (Hong Kong) Limited, the current principal valuer of Yuexiu REIT, has confirmed that the rental/licence fees in respect of the agreed form Carpark Master Lease Agreement are at prevailing market levels as at the Latest Practicable Date, and that the other commercial terms in the agreed form Carpark Master Lease Agreement such as tenure, rental deposits and break clauses are normal commercial terms.

(e) Naming Rights Agreement

On 24 October 2021, the Target Company and Yuexiu Property entered into a naming rights agreement, pursuant to which the Target Company, subject to Acquisition Completion, will allow Yuexiu Property to exercise the Naming Rights (as defined below) for the period between Acquisition Completion Date and 31 December 2023 for a total cash consideration of RMB60,000,000, which will be payable in five instalments, including one instalment of RMB20,000,000 to be paid on 31 December 2021 and four semi-annual instalments of RMB10,000,000 to be paid in 2022 and 2023 (the “**Naming Rights Agreement**”). Pursuant to the Naming Rights Agreement, Yuexiu Property will have the right to display the names and logo of companies designated by Yuexiu Property at noticeable locations at the Property, and to raise the flags of such companies at appropriate locations within the Property (the “**Naming Rights**”). The exercise of the Naming Rights must not conflict with the operating business of the Project Companies and the name of a competitor of the Project Companies must not be used at the Property pursuant to the exercise of the Naming Rights. Furthermore, the Naming Rights can only be exercised on the condition that such exercise does not affect the normal operational activities of the Property. Yuexiu Property’s entitlement to the Naming Rights may also be terminated by mutual agreement between Yuexiu Property and the Target Company.

The consideration for the Naming Rights Agreement was determined between the parties thereto on an arm’s length basis. The Manager considers that the granting of Naming Rights to Yuexiu Property, one of the anchor tenants of the Property, for an aggregate consideration of RMB60,000,000 over the term of the Naming Rights Agreement which provides an additional income stream for the Project Companies, is fair and reasonable and is in the interests of Yuexiu REIT and its Unitholders as a whole upon Acquisition Completion.

The transactions under the Naming Rights Agreement will be subject to and in compliance with the Yuexiu Leasing Framework Agreement (including the Revised Annual Caps set out therein), which will be entered into upon Acquisition Completion. For further details of the Yuexiu Leasing Framework Agreement, please refer to section 11.2.1 headed “Continuing Connected Party Transactions — Non-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group — Yuexiu Leasing Framework Agreement” in this Circular. For the avoidance of doubt, if the Ordinary Resolution in respect of the CCPT Matters Requiring Approval is not approved at the EGM, the transactions under the Naming Rights Agreement, if any, will be subject to the 2020 Extended Waiver and the annual caps thereunder, which will continue to apply until its expiry on 31 December 2023.

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3.10 Competition

The Property, Yuexiu Financial Tower (越秀金融大厦), is an International Grade A office building completed in 2015 and is a landmark high-rise building in the Core Area of ZJNT, with a height of approximately 309 metres. There is a concentration of eight International Grade A office buildings with a height of over 300 metres within a 800 metre radius of Yuexiu Financial Tower, such as Guangzhou IFC and Chow Tai Fook Financial Center.

As a result of COVID-19, the progress and completion time of some construction projects in Guangzhou has been delayed. According to the Market Consultant Report, it is estimated that from the 3rd quarter of 2021 to 2025, there will be approximately 2.946 million sq.m. of new supply in the Grade A office market in Guangzhou. The average annual increase will be about 542,000 sq.m. in 2022-2025. The new supply is mainly located in Pazhou and Financial Town. The new supply in Pazhou will be approximately 1.803 million sq.m., constituting 61% of such new supply. Only two other International Grade A office buildings, namely GDH Financial Center Building T1 and Building T2, are expected to enter ZJNT in the next four years. The total gross floor area of such new properties will be approximately 204,000 sq.m. As the supply of Grade A office space in ZJNT will gradually decrease and become scarcer, it is expected that the vacancy rate of Grade A office buildings in ZJNT will remain at a relatively low level and the rental rates will continue to grow steadily.

According to the Market Consultant Report, the Property has the highest leasable office space compared to other Grade A office buildings in the Core Area of ZJNT. The Property also has a helipad, which is unique to the other Grade A office buildings in Guangzhou and supports flying routes between Guangzhou, Shenzhen and Zhuhai.

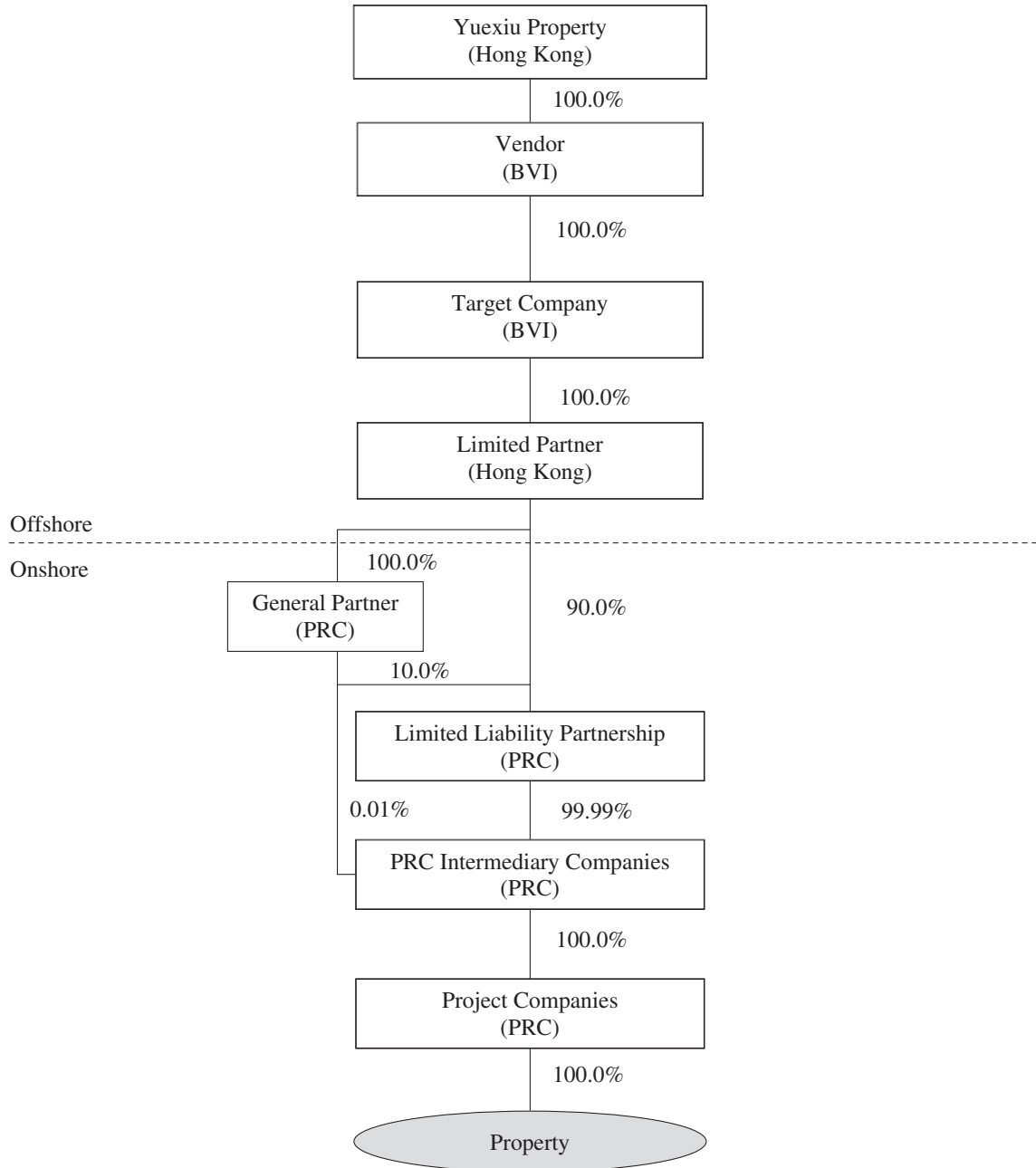
The Market Consultant has prepared the Market Consultant Report analysing, among other things, the competitive conditions of the Property. For details, please refer to Appendix 6 headed “Market Consultant Report for the Guangzhou Property Market” in this Circular.

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4 HOLDING STRUCTURE OF THE PROPERTY AND REVERSE MERGER

4.1 Current holding structure of the Property

Below is a chart showing the simplified holding structure of the Property as at the Latest Practicable Date:



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The abovementioned chart includes a limited liability partnership, in respect of which the PRC Legal Advisers have advised that: (i) a limited liability partnership is neither a natural person nor a legal person under PRC laws and therefore cannot be recognised to be the sole shareholder of a PRC company; (ii) a limited liability partnership is required to have at least one general partner which shall bear unlimited joint liability for the partnership's debts under the PRC Partnership Enterprise Law; (iii) although the General Partner will be subject to unlimited liability for the Limited Liability Partnership's debts, the liability of the sole shareholder of the General Partner (being the Limited Partner) will still be limited to the amount of its registered capital contribution to the General Partner; (iv) therefore, by extension, Yuexiu REIT (being the indirect sole shareholder of the Limited Partner following Acquisition Completion) will not be exposed to the unlimited liability of the General Partner; and (v) by virtue of the terms of the Limited Partnership Agreement and the Limited Partner being the sole shareholder of the General Partner, the General Partner and the Limited Partner can exercise ownership and control of the Property through the Limited Liability Partnership no different than PRC companies, and such arrangement is commonly adopted by limited liability partnerships in the PRC and complies with the relevant PRC laws and regulations.

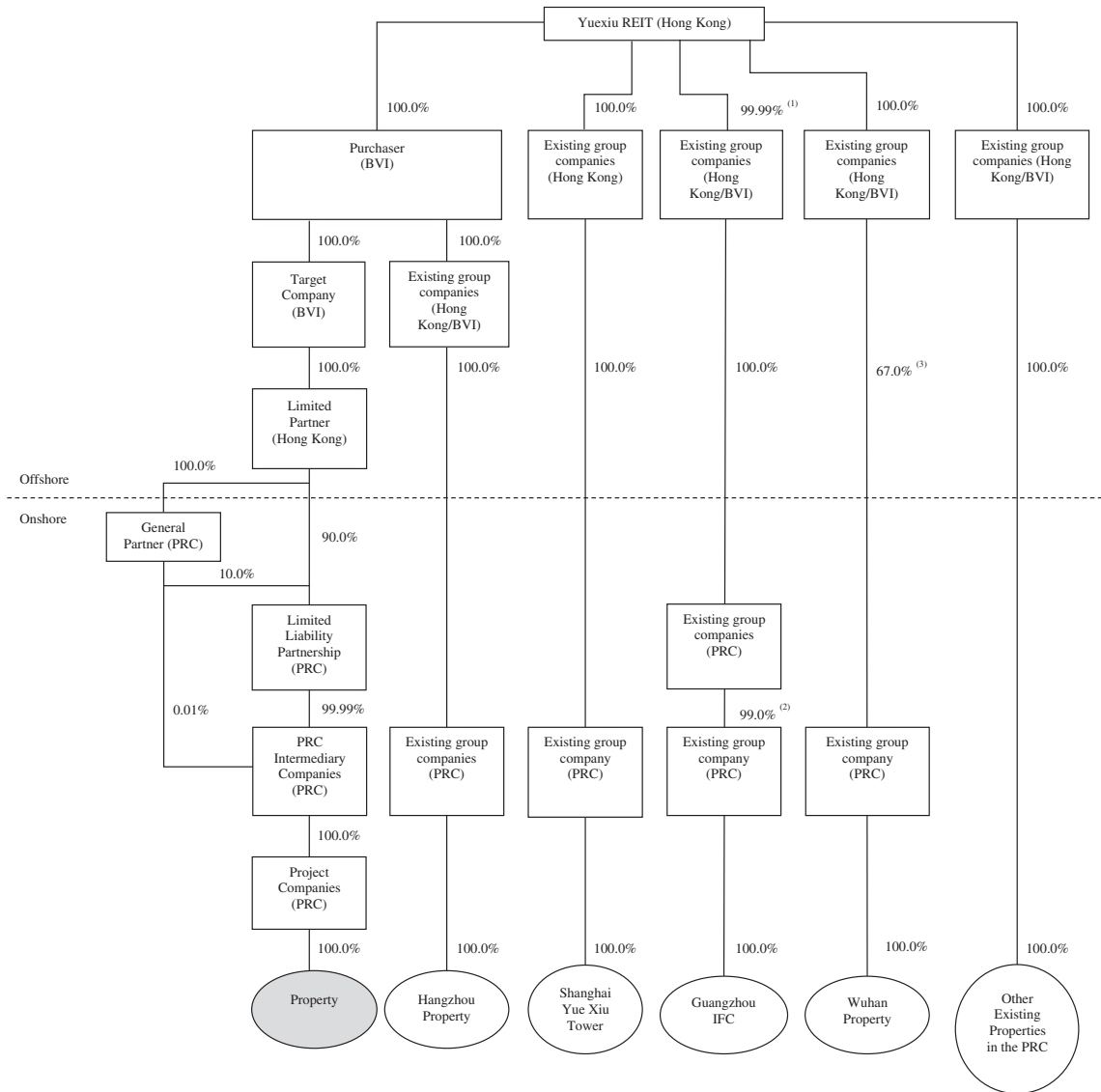
The PRC Legal Advisers have also confirmed that: (i) the holding structure of the Property through the Limited Liability Partnership is legal and valid under the relevant PRC laws and regulations and is not uncommon for holding real estate in the PRC; (ii) such holding structure will not affect Yuexiu REIT's good marketable legal and beneficial title to the Property; (iii) the terms of the limited partnership agreement constituting and governing the Limited Liability Partnership are legally valid, binding and enforceable on the parties; (iv) there is no legal or practical impediment to the ability of the Limited Liability Partnership to remit the income generated by the Property through the Limited Liability Partnership, whether by way of interest payments or dividends; and (v) for so long as the Limited Liability Partnership has net profits, there is no legal or practical impediment to the remittance of dividends from the Limited Liability Partnership to Hong Kong.

Having regard to the advice of the PRC Legal Advisers set out above, the Manager does not consider the expected holding structure of the Property to be substantively different from the holding structure of the Existing Properties.

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4.2 Expected holding structure of the Property as at the Acquisition Completion Date

The simplified expected holding structure of the Property, and other Existing Properties, immediately after Acquisition Completion will be as follows:



Notes:

- (1) The remaining 0.01% of the equity interest in the existing group companies is owned by Yuexiu Property.
- (2) The remaining 1.0% of the equity interest in the existing group companies holding Guangzhou IFC is owned by Guangzhou City Construction & Development Group Co. Ltd.* (廣州市城市建設開發集團有限公司), which is an indirectly owned subsidiary of GZYX and a connected person of Yuexiu REIT.
- (3) The remaining 33.0% of the equity interests in the existing group company that directly holds the Wuhan Property is indirectly owned by Yuexiu Property.

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4.3 Reverse Merger

Following Acquisition Completion, it is intended that the holding structure of the Property will be further streamlined by the Reverse Merger, which was originally part of the restructuring exercise initiated by Yuexiu Property as required by the Purchaser and began before the date of this Circular, as further described below.

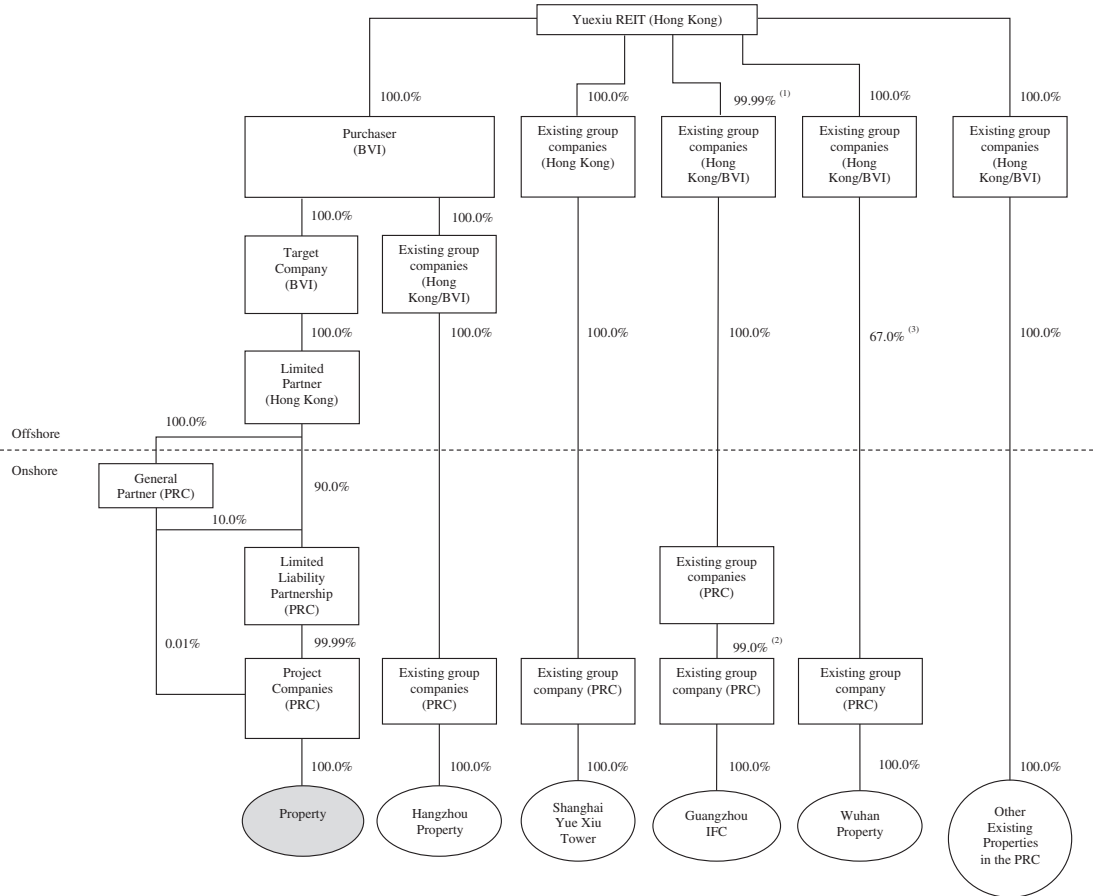
On 16 September 2021, the PRC Intermediary Companies and the Project Companies entered into a merger agreement pursuant to which the parties agreed to merge by the Project Companies' absorption of the PRC Intermediary Companies (the "**Reverse Merger**"). Upon the completion of the Reverse Merger, the PRC Intermediary Companies will be deregistered, and the Limited Liability Partnership and the General Partner will become the direct shareholders of the Project Companies. The PRC Intermediary Companies' assets (save for their equity interests in the Project Companies) and liabilities (including those under the related party loans previously granted by the Limited Liability Partnership) will be undertaken by the Project Companies following the Reverse Merger.

As advised by the PRC Legal Advisers, there are certain procedural steps required to legally effect the Reverse Merger under PRC law. For example, the PRC Intermediary Companies need to give their creditors statutory notice of the Reverse Merger and apply for deregistration of the PRC Intermediary Companies with the relevant local tax and other government authorities. The PRC Legal Advisers estimate that the Reverse Merger will take approximately six to seven months from the date of the abovementioned statutory notice to complete. As such statutory notice was published on 17 September 2021, the Manager expects that the Reverse Merger will complete in or before April 2022. As the Reverse Merger is not a condition precedent of the Acquisition, the Manager expects that Acquisition Completion will likely take place before completion of the Reverse Merger. The Manager will publish an announcement upon completion of the Reverse Merger.

The PRC Legal Advisers have confirmed that: (i) the remaining steps required to effect the Reverse Merger are expected to be completed in or before April 2022; (ii) there are no material risks or legal impediments to completion of such steps (including obtaining the relevant approvals from the relevant authorities); (iii) there are no impediments that will cause delay in the completion of the Reverse Merger; and (iv) the Reverse Merger is legal and valid under the relevant PRC laws and regulations.

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The simplified expected holding structure of the Property, and other Existing Properties, following the completion of the Reverse Merger will be as follows:



Notes:

- (1) The remaining 0.01% of the equity interest in the existing group companies is owned by Yuexiu Property.
- (2) The remaining 1.0% of the equity interest in the existing group companies holding Guangzhou IFC is owned by Guangzhou City Construction & Development Group Co. Ltd.* (廣州市城市建設開發集團有限公司), which is an indirectly owned subsidiary of GZYX and a connected person of Yuexiu REIT.
- (3) The remaining 33.0% of the equity interest in the existing group company holding the Wuhan Property is owned by Yuexiu Property.

Notwithstanding the further steps being required after Acquisition Completion to complete the Reverse Merger, the Manager believes that it is in the interests of Yuexiu REIT and its Unitholders as a whole to follow through with the Reverse Merger for the benefits it could achieve for Yuexiu REIT in the long term. Firstly, by removing one layer of SPVs, the Reverse Merger not only streamlines the ownership structure of the Property but also reduces ongoing administrative costs, such as regular reporting and corporate filings. Secondly, following the completion of the Reverse Merger, the onshore General Partner may, subject to compliance with prevailing applicable laws and regulations, be able to repatriate to the offshore Limited Partner interest payments received by the

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Limited Liability Partnership on the various onshore loans advanced to the Project Companies on a quarterly basis, instead of an annual basis for a typical holding structure (such as the holding structures for Guangzhou IFC, the Shanghai Yue Xiu Tower, the Wuhan Property and the Hangzhou Property). The new structure will provide a more efficient repatriation process as compared to the structural organisation of the Existing Properties, which will allow cash to funnel through the Target Group within the time frame desired and without much complications. The enhanced repatriation mechanism would afford Yuexiu REIT more flexibility in managing its offshore cash flow position and hedging its foreign exchange risk exposure. Other than this, the expected holding structure of the Property is not substantively different from the holding structure of the Existing Properties in terms of laws, regulations and ultimate control of the Property.

Having regard to the advice of the PRC Legal Advisers, who have confirmed that: (i) the Reverse Merger is legal and valid under the relevant PRC laws and regulations; (ii) the Reverse Merger will not affect Yuexiu REIT's good marketable legal and beneficial title to the Property and ability of the Limited Liability Partnership and the Project Companies to remit the income generated by the Property to Hong Kong, whether by way of interest payments and/or dividends; and (iii) the Reverse Merger will not result in any additional liabilities being imposed on Yuexiu REIT, the Manager is of the view that the Reverse Merger and the resulting holding structure of the Property are compliant with the REIT Code and the relevant laws and regulations in the PRC and will not result in additional liabilities being imposed on Yuexiu REIT.

5 FINANCING OF THE ACQUISITION

5.1 Financing Structure

The Manager intends to fund the Acquisition Consideration and the One-Off Fees and Charges in the following manner: (i) approximately HKD3,919 million (being equivalent to approximately RMB3,261 million) shall be paid from the net proceeds of the Rights Issue; (ii) up to HKD4,600 million (being equivalent to approximately RMB3,828 million) shall be paid from amounts drawn down under the New Bank Facility (based on the illustrative Acquisition Consideration of RMB7,775 million, RMB3,752 million of the New Bank Facility will be drawn down for payment); and (iii) approximately HKD992 million (being equivalent to approximately RMB826 million) shall be paid from the internal resources of Yuexiu REIT (the “**Financing Structure**”). The One-Off Fees and Charges are approximately RMB64.5 million.

The intended financing structure has been determined by the Manager, in consultation with its Financial Advisers, after taking into consideration, among other things, Yuexiu REIT's working capital sufficiency, optimal level of gearing, financing costs (for both debt and equity), tenors of various existing indebtedness, dilution of existing Unitholders' ownership interests in Yuexiu REIT as well as possible dilution effects on DPU and NAV per Unit.

The Gearing Ratio of Yuexiu REIT is expected to increase from approximately 38.8% as at 30 June 2021 (as disclosed in its interim report for the six months ended 30 June 2021) to approximately 41.0% upon Acquisition Completion, based on the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix 4 to this Circular. For further details of the expected Gearing Ratio, please refer to section 5.5 headed “Financing of the Acquisition — Gearing Ratio of the Enlarged Portfolio taking into consideration the New Bank Facility” in this Circular.

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5.2 Rights Issue

5.2.1 Proposed Rights Issue

Should the Transaction Matters Requiring Approval be approved by the Independent Unitholders at the EGM to be held on Monday, 6 December 2021, the Manager proposes to raise approximately HKD3,950 million (before expenses) by issuing 1,234,403,038 Rights Issue Units (on the basis of thirty seven (37) Rights Issue Units for every one hundred (100) existing Units held on the Rights Issue Record Date) at the Rights Issue Subscription Price of HKD3.20 per Rights Issue Unit. The Rights Issue is only available to the Rights Issue Qualifying Unitholders and will not be extended to the Rights Issue Non-Qualifying Unitholders.

Further details of the Rights Issue are set out below:

Basis of the Rights Issue:	Thirty seven (37) Rights Issue Units for every one hundred (100) existing Units held on the Rights Issue Record Date
Rights Issue Subscription Price:	HKD3.20 per Rights Unit
Number of Units in issue as at the Latest Practicable Date:	3,336,224,428 Units
Number of Rights Issue Units proposed to be issued:	1,234,403,038 Rights Issue Units
Number of enlarged Units in issue upon Rights Issue Completion:	4,570,627,466 Units
Gross proceeds to be raised before expenses:	Approximately HKD3,950 million
Net proceeds to be raised after expenses:	Approximately HKD3,919 million

As at the Latest Practicable Date, Yuexiu REIT had no other convertible securities, options or warrants in issue which would otherwise confer any right to subscribe for, convert or exchange into the new Units.

The estimated expenses in relation to the Rights Issue include financial and legal fees, printing and translation expenses of approximately HKD2 million, and potential placing commission of up to approximately HKD29 million, which assumes 730,822,457 Units are placed to the Placees at the Rights Issue Subscription Price of HKD3.20 per Unit and 1.25% of the placement amount is paid to the Placing Agents. The expenses in relation to the Rights Issue are borne by Yuexiu REIT and will be financed from the gross proceeds of the Rights Issue (including the Placing, as the case may be).

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Assuming there is no change in the number of Units in issue from the Latest Practicable Date and up to the Rights Issue Record Date, the number of 1,234,403,038 Rights Issue Units proposed to be allotted and issued pursuant to the Rights Issue represent: (i) 37.0% of the existing issued Units of Yuexiu REIT as at the Latest Practicable Date; and (ii) approximately 27.0% of the enlarged issued Units of Yuexiu REIT as enlarged by the allotment and issue of a total of 1,234,403,038 Rights Issue Units immediately after Rights Issue Completion.

5.2.2 Rights Issue Subscription Price

The Rights Issue Subscription Price of HKD3.20 per Rights Issue Unit will be payable in full by a Rights Issue Qualifying Unitholder upon acceptance of the relevant provisional allotment of the Rights Issue Units or when a transferee of nil-paid Rights Issue Units applies for the relevant Rights Issue Units.

Each Rights Issue Qualifying Unitholder will be entitled to subscribe for the Rights Issue Units at the same Rights Issue Subscription Price in proportion to the Rights Issue Qualifying Unitholder's unitholding in Yuexiu REIT held on the Rights Issue Record Date.

The Rights Issue Subscription Price represents:

- (i) a discount of approximately 12.8% to the closing price of HKD3.67 per Unit as quoted on the Stock Exchange on 22 October 2021, being the Last Trading Day;
- (ii) a discount of approximately 12.8% to the closing price of HKD3.67 per Unit as quoted on the Stock Exchange on 24 October 2021, being the date on which the Rights Issue Subscription Price was fixed;
- (iii) a discount of approximately 12.8% to the average closing price of HKD3.67 per Unit based on the average closing prices of the Units as quoted on the Stock Exchange for the five (5) consecutive Trading Days up to and including the Last Trading Day (being the Relevant Market Price);
- (iv) a discount of approximately 13.0% to the average closing price of HKD3.68 per Unit based on the average closing prices of the Units as quoted on the Stock Exchange for the ten (10) consecutive Trading Days up to and including the Last Trading Day;
- (v) a discount of approximately 14.2% to the average closing price of HKD3.73 per Unit based on the average closing prices of the Units as quoted on the Stock Exchange for the thirty (30) consecutive Trading Days up to and including the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 3.4% represented by the theoretical diluted price of approximately HKD3.55 to the benchmarked price of approximately HKD3.67 per Unit (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price of HKD3.67 per Unit as quoted on the Stock Exchange on 24 October 2021, being the date of the Underwriting Agreement

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and the average closing prices of the Units for the five (5) consecutive Trading Days prior to (i) the date of the Announcement; (ii) the date of the Underwriting Agreements; and (iii) the date on which the Rights Issue Subscription Price, all being 24 October 2021, was fixed at HKD3.67 per Unit);

- (vii) a discount of approximately 9.6% to the theoretical ex-rights price of HKD3.54 per Unit based on the closing price of HKD3.67 per Unit as quoted on the Stock Exchange on the Last Trading Day;
- (viii) a discount of approximately 39.0% to the audited net asset value per Unit of approximately HKD5.25 based on the audited total net assets attributable to Unitholders of RMB14,585 million as at 31 December 2020 as set out in the consolidated balance sheet of Yuexiu REIT as at 31 December 2020 and the number of 3,303,113,665 Units in issue as at 31 December 2020;
- (ix) a discount of approximately 39.3% to the unaudited net asset value per Unit of approximately HKD5.28 based on the unaudited total net assets attributable to Unitholders of RMB14,564 million as at 30 June 2021 as set out in the interim condensed consolidated balance sheet of Yuexiu REIT as at 30 June 2021 and the number of 3,319,288,131 Units in issue as at 30 June 2021. The valuation of the Existing Properties accounted for in the interim condensed consolidated balance sheet of Yuexiu REIT as at 30 June 2021 is the same as the valuation of the Existing Properties as at 31 August 2021 as set out in Appendix 5B headed “Valuation Report on the Existing Properties” to this Circular;
- (x) a discount of approximately 4.2% to the closing price of HKD3.34 per Unit as quoted on the Stock Exchange on the Latest Practicable Date;
- (xi) a discount of approximately 13.0% to the Market Price of HKD3.68 per Unit; and
- (xii) a discount of approximately 0.6% to the lowest closing price of HKD3.22 per Unit as quoted on the Stock Exchange during the period from 1 January 2020 up to and including the Latest Practicable Date.

Since: (i) the Rights Issue Subscription Price represents a discount of less than 20% to the Market Price; and (ii) the total number of Rights Issue Units to be issued does not increase the market capitalisation of Yuexiu REIT by more than 50%, the Rights Issue is not subject to Unitholders’ approval under the Trust Deed.

The Rights Issue Subscription Price was determined with reference to the Market Price and customary rights issue discount having regard to the prevailing capital market conditions and the amount of funds Yuexiu REIT intends to raise under the Rights Issue.

The Board considered the terms of the Rights Issue, including the Rights Issue Subscription Price and the subscription ratio, to be fair and reasonable and in the interests of Yuexiu REIT and the Unitholders as a whole.

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The net price per Rights Issue Unit (i.e. the aggregate Rights Issue Subscription Price assuming full acceptance of the provisional allotment of Rights Issue Units, after deducting cost and expenses incurred in the Rights Issue, but not including any commission due to the assumption of full acceptance of the provisional allotment of Rights Issue Units) will be approximately HKD3.1984.

As the Rights Issue Subscription Price represents a discount of more than 10% to the Relevant Market Price, the issue price for the Deferred Units that are issued after Rights Issue Completion shall be adjusted according to the formula set out in the Indebtedness Agreement, further details of which are set out in section 10.2 headed “Modification of Deferred Units Arrangement — Adjustments to Deferred Units Issue Price” in this Circular.

5.2.3 Rights Issue Qualifying Unitholders

The Rights Issue will only be available to the Rights Issue Qualifying Unitholders. Yuexiu REIT will send the Rights Issue Offering Documents to the Rights Issue Qualifying Unitholders but will only send the Rights Issue Offering Circular (without the PAL), for information purposes only, to the Rights Issue Non-Qualifying Unitholders.

To qualify for the Rights Issue, a Unitholder must, at the close of business on the Rights Issue Record Date:

- (i) be registered as a Unitholder on the register of Unitholders; and
- (ii) not be a Rights Issue Non-Qualifying Unitholder.

Unitholders with their Units held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Unitholder according to the register of Unitholders and are advised to consider whether they would like to arrange for the registration of the relevant Units in their own names prior to the Rights Issue Record Date.

The register of Unitholders will be closed from Tuesday, 14 December 2021 to Thursday, 16 December 2021 (both days inclusive) to determine the eligibility of the Unitholders to participate in the Rights Issue. In order to qualify for the Rights Issue, all transfers of Units (together with the relevant Unit certificates) must be lodged with Yuexiu REIT’s Unit Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 13 December 2021. The last day of dealings in Units on a cum-rights basis is, therefore, expected to be Thursday, 9 December 2021. The Units will be dealt with on an ex-rights basis from Friday, 10 December 2021. Further details of the acceptance procedures for the Rights Issue Units will be set out in the Rights Issue Offering Circular.

5.2.4 Basis of provisional allotments

The basis for provisional allotment shall be thirty seven (37) Rights Issue Units (in nil-paid form) for every one hundred (100) Units held by the Rights Issue Qualifying Unitholders as at the close of business on the Rights Issue Record Date. Such basis was determined having regard to the prevailing trading price of the Units as well as the size of the Rights Issue that the Manager considers to be optimal for the purpose of financing the Acquisition Consideration whilst increasing the Gearing

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Ratio of Yuexiu REIT above its existing level as described in section 5.5 headed “Financing of the Acquisition — Gearing Ratio of the Enlarged Portfolio taking into consideration the New Bank Facility” in this Circular.

Rights Issue Qualifying Unitholders may apply for all or any part of their respective provisional allotment by lodging a duly completed PAL and a cheque or a banker’s cashier order for the sum payable for the Rights Issue Units being applied for with the Unit Registrar on or before the Latest Time for Acceptance.

5.2.5 Fractional entitlements

Fractional entitlements for nil-paid Rights Issue Units will not be issued or provisionally allotted and will be rounded down to the nearest whole number. These fractional entitlements will be aggregated and sold in the market, if a premium (net of expenses) can be obtained, for the benefit of Yuexiu REIT. Any unsold fractions of the Rights Issue Units will be placed by the Placing Agents to the Placing Independent Third Parties, and failing which, be fully underwritten by the Underwriter.

5.2.6 Odd lots arrangement

No odd lot matching services will be provided as the Directors are of the view that, having compared the fees to be charged by a designated securities broker and the market value of the odd lots of Units, it will not be cost-effective for Yuexiu REIT to appoint such a securities broker to provide matching services for odd lots of Units.

5.2.7 Rights of Overseas Unitholders

In compliance with the requirements of Rule 13.36(2)(a) of the Listing Rules (modified as appropriate pursuant to the REIT Code), the Manager will make enquiries with the legal advisers to the Manager as to whether the offer of Rights Issue Units to the Overseas Unitholders may contravene the applicable securities legislation of the relevant overseas jurisdiction or the requirements of the regulatory body or stock exchange of that overseas jurisdiction. If, after making such enquiry, the Manager is of the opinion that it would be unduly burdensome to, or otherwise necessary or expedient not to, offer the Rights Issue Units to such Overseas Unitholders, no provisional allotment of nil-paid Rights Issue Units will be made to such Overseas Unitholders. The results of the enquiries and the basis of exclusion of the Overseas Unitholders will be included in the Rights Issue Offering Circular. Based on the register of unitholders of Yuexiu REIT as at Latest Practicable Date, Yuexiu REIT had Unitholders in Australia, Canada, the PRC, Macau, Malaysia, Thailand and the United Kingdom with an aggregate holding of approximately 0.34% of the total number of Units in issue as at the date of this Circular.

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The Manager will, to the extent reasonably practicable and legally permitted, send the Rights Issue Offering Circular to the Rights Issue Non-Qualifying Unitholders for their information only, provided that the Rights Issue Offering Circular shall not be posted to Overseas Unitholders who are known by the Manager to be resident in the United States. The Manager will not send any PAL to the Rights Issue Non-Qualifying Unitholders.

Arrangements will be made for the Rights Issue Units, which would otherwise have been provisionally allotted to the Rights Issue Non-Qualifying Unitholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Issue Units commence and before dealings in the nil-paid Rights Issue Units end, if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HKD100 will be paid to the relevant Rights Issue Non-Qualifying Unitholders pro rata to the number of Units held by each Rights Issue Non-Qualifying Unitholder as at the Rights Issue Record Date. In view of administrative costs, Yuexiu REIT will retain individual amounts of HKD100 or less for its own benefit.

Any NQU Unsold Rights Issue Units will first be placed by the Placing Agents under the Placing Agreement together with the Unsubscribed Rights Issue Units and any unsold fractions of the Rights Issue Units, and if unsuccessfully sold, will be fully underwritten by the Underwriter.

For the nil-paid Rights Issue Units that are sold in the market by Yuexiu REIT as described above, if the buyer(s) of such nil-paid Rights Issue Units do not take up the entitlement, such Unsubscribed Rights Issue Units will be subject to the Compensatory Arrangements.

The Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire the Rights Issue Units or to take up any entitlements to the Rights Issue Units in any jurisdiction in which such an offer or solicitation is unlawful.

It is the responsibility of the Unitholders (including the Overseas Unitholders) to observe the local legal and regulatory requirements applicable to them for taking up and onward sale (if applicable) of the Rights Issue Units. The Rights Issue Non-Qualifying Unitholders, so long as he/she/it is an Independent Unitholder as at the EGM Record Date, will be entitled to vote at the EGM regarding the Transaction Matters Requiring Approval (upon which the Rights Issue is conditional). Overseas Unitholders and beneficial owners of Units who are residing outside Hong Kong should note that they may or may not be eligible to take part in the Rights Issue subject to the results of the enquiries made by the Manager. The Manager reserves the right to treat as invalid any acceptances of or applications for the Rights Issue Units where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Unitholders and beneficial owners of Units who are residing outside Hong Kong should exercise caution when dealing in the Units.

5.2.8 Status of the Rights Issue Units

The Rights Issue Units will, when issued and fully paid, be free from all liens, charges, encumbrances and third-party rights, interests or claims of any nature whatsoever and rank *pari passu* in all respects with the other fully paid Units then in issue including the right to receive future distributions which may be declared, made or paid after the date of allotment of the Rights Issue.

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The holders of the Rights Issue Units shall not be entitled to the Special Distribution as such Units will be issued after the relevant record date, but will be entitled to the final distribution for the period between 1 July 2021 and 31 December 2021 and the interim distribution for the period between 1 January 2022 and 30 June 2022, if any.

5.2.9 Unit certificates for Rights Issue Units and refund cheques

Subject to the fulfilment and/or waiver (where applicable) of the conditions of the Rights Issue as set out below, unit certificates for all fully-paid Rights Issue Units are expected to be posted to those entitled thereto by ordinary post to their registered address, at their own risks, on or before Tuesday, 25 January 2022.

If the Rights Issue is terminated, refund cheques are expected to be posted on or before Tuesday, 25 January 2022 by ordinary post to the applicants' registered address, at their own risk.

5.2.10 Application for listing

Yuexiu REIT will apply to the Stock Exchange for the listing of, and permission to deal in, the Rights Issue Units in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. No part of securities of Yuexiu REIT is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

The board lot size of the nil-paid Rights Issue Units shall be the same as that of the fully-paid Rights Issue Units (being 1,000 Units in one board lot).

Those Rights Issue Qualifying Unitholders who do not take up the Rights Issue Units to which they are entitled should note that their unitholdings in Yuexiu REIT will be diluted upon Rights Issue Completion.

5.2.11 Rights Issue Units will be eligible for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Issue Units in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of Hong Kong Securities Clearing Company Limited, the Rights Issue Units in both their nil-paid and fully-paid forms will be accepted as eligible securities by Hong Kong Securities Clearing Company Limited for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Issue Units in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by Hong Kong Securities Clearing Company Limited.

Settlement of transactions between participants of the Stock Exchange on any Trading Day is required to take place in CCASS on the second Trading Day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Unitholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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5.2.12 Stamp duty and other applicable fees and taxation

Dealings in the Rights Issue Units in both their nil-paid and fully-paid forms will be subject to the payment of: (i) stamp duty; (ii) the Stock Exchange trading fee; (iii) SFC transaction levy; and (iv) any other applicable fees and charges in Hong Kong.

Unitholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising their rights in, disposing of or dealing in the nil-paid Rights Issue Units or the fully-paid Rights Issue Units and, regarding the Rights Issue Non-Qualifying Unitholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Issue Units on their behalf. It is emphasised that none of the Trustee, the Manager, the Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of any person resulting from the purchase, holding or disposal of, or dealing in, the Rights Issue Units in both their nil-paid and fully-paid forms.

5.2.13 Irrevocable Undertakings by Yue Xiu and Yuexiu Property

As at the Latest Practicable Date, Yue Xiu and Yuexiu Property were the beneficial owners of 71,261,585 Units and 1,289,767,022 Units, representing approximately 2.1% and 38.7% of the total number of issued Units respectively.

On 24 October 2021, Yue Xiu and Yuexiu Property gave the Irrevocable Undertakings in favour of the Manager, pursuant to which:

- (i) Yue Xiu has irrevocably undertaken to the Manager that, among other things, subject to the Manager despatching the Rights Issue Offering Documents to the Rights Issue Qualifying Unitholders and the Whitewash Waiver having been granted by the Executive prior to the Rights Issue Offering Circular Despatch Date and not having been revoked or withdrawn: (i) it shall accept and pay for or procure the acceptance and payment for the Yue Xiu Entitlement Units provisionally allotted to it; (ii) it shall remain as the beneficial owner of the 71,261,585 Units on the Rights Issue Record Date; and (iii) it shall not, and shall procure its nominees not to, acquire any further Units on or before the Rights Issue Record Date;
- (ii) Yuexiu Property has irrevocably undertaken to the Manager that, among other things, subject to the Manager despatching the Rights Issue Offering Documents to the Rights Issue Qualifying Unitholders and the Whitewash Waiver having been granted by the Executive prior to the Rights Issue Offering Circular Despatch Date and not having been revoked or withdrawn: (i) it shall accept and pay for or procure the acceptance and payment for the Yuexiu Property Entitlement Units provisionally allotted to it; (ii) it shall remain as the beneficial owner of the 1,289,767,022 Units on the Rights Issue Record Date; and (iii) it shall not, and shall procure its nominees not to, acquire any further Units on or before the Rights Issue Record Date; and
- (iii) Yue Xiu has further irrevocably undertaken to the Manager to promptly apply (and in any event prior to the Rights Issue Offering Circular Despatch Date) to the Executive for the Whitewash Waiver.

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Save for the Irrevocable Undertakings, the Manager had not received any information or irrevocable undertaking from any Substantial Unitholders of Yuexiu REIT of their intention to take up the Rights Issue Units to be provisionally allotted or offered to them under the Rights Issue as at the Latest Practicable Date.

5.2.14 Procedures in respect of the Unsubscribed Rights Issue Units, the NQU Unsold Rights Issue Units, unsold fractions of the Rights Issue Units and the Compensatory Arrangements

As the Underwriter is the indirect holding company of a Substantial Unitholder of Yuexiu REIT (being Dragon Yield), the Manager will make the arrangements as described below (i.e. the Compensatory Arrangements) in compliance with Rules 7.21(1)(b) and 7.21(2) of the Listing Rules to dispose of the Unsubscribed Rights Issue Units, together with the NQU Unsold Rights Issue Units and any unsold fractions of Rights Issue Units by offering those Rights Issue Units to independent places for the benefit of the Unitholders to whom they were offered. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

The Manager has appointed the Placing Agents to place the Unsubscribed Rights Issue Units, the NQU Unsold Rights Issue Units and any unsold fractions of Rights Issue Units after the Latest Time for Acceptance to independent places on a best effort basis, pursuant to the terms of the Placing Agreement as described below. Any premium over the aggregate amount of the Rights Issue Subscription Price for those Rights Issue Units that is realised from the Placing (the “**Net Gain**”) which is in the amount of HKD100 or more will be paid to those No-Action Unitholders. The Placing Agents will, on a best effort basis, procure, by no later than 4:00 p.m. on Tuesday, 18 January 2022, acquirers for all (or as many as possible) of those Unsubscribed Rights Issue Units, the NQU Unsold Rights Issue Units and any unsold fractions of Rights Issue Units at a price not less than the Rights Issue Subscription Price. Yue Xiu Securities will act as one of the Placing Agents. Any Unsubscribed Rights Issue Units, NQU Unsold Rights Issue Units and any unsold fractions of Rights Issue Units that are not placed under the Compensatory Arrangements will be fully underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement.

The Net Gain (if any but rounded down to the nearest cent) will be paid on a pro-rata basis (on the basis of all Unsubscribed Rights Issue Units, NQU Unsold Rights Issue Units and the unsold fractions of the Rights Issue Units) to the No-Action Unitholders as set out below:

- (i) where the nil-paid Rights Issue Units are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL;
- (ii) where the nil-paid Rights Issue Units are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS; and
- (iii) if the Rights Issue is extended to the Overseas Unitholders and where an entitlement to the Rights Issue Units was not taken up by such Overseas Unitholders, to those Overseas Unitholders.

It is proposed that the Net Gain to any of the No-Action Unitholder(s) mentioned above which is in an amount of HKD100 or more will be paid to them in Hong Kong dollars only and Yuexiu REIT will retain individual amounts of less than HKD100 for its own benefit.

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5.2.15 Conditions of the Rights Issue

The Rights Issue will be conditional upon: (i) the granting of the Whitewash Waiver by the Executive (and any such grant not having been withdrawn or revoked) and the satisfaction of any condition attached to the Whitewash Waiver; (ii) the obtaining of the Independent Unitholders' approval for the Transaction Matters Requiring Approval; and (iii) the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. For details of the conditions of the Underwriting Agreement, please refer to section 5.2.18 headed "Financing of the Acquisition — Rights Issue — Conditions of the Underwriting Agreement" in this Circular.

5.2.16 The Placing Agreement

On 24 October 2021, the Manager and the Placing Agents entered into the Placing Agreement, pursuant to which the Placing Agents have agreed, on a best effort basis, severally but not jointly, to procure Placee(s) to subscribe for the Placing Units (i.e. the Unsubscribed Rights Issue Units, the NQU Unsold Rights Issue Units and the unsold fractions of the Rights Issue Units) (the "**Placing**"). Details of the Placing Agreement are as follow:

Date	:	24 October 2021
Placing Agents	:	(1) DBS Asia Capital Limited (2) BOCI Asia Limited (3) China International Capital Corporation Hong Kong Securities Limited (4) Haitong International Securities Company Limited (5) Yue Xiu Securities Company Limited
Placing Units	:	A maximum of 730,822,457 new Units (assuming no change in the number of Units from the Latest Practicable Date up to the Rights Issue Record Date)
Placing commission	:	A maximum of 1.25% of the gross proceeds from the Placing
Placing price of the Placing Units	:	The placing price of the Placing Units shall be not less than the Rights Issue Subscription Price and shall be determined based on the demand and market conditions of the Placing Units during the process of the Placing.
Placee(s)	:	The Placing Units are expected to be placed to the Placees who and whose ultimate beneficial owner(s) are Placing Independent Third Parties. No Placee shall become a Substantial Unitholder of Yuexiu REIT as a result of the Placing.
Ranking of the Placing Units	:	The Placing Units (when placed, allotted, issued and fully paid) shall rank <i>pari passu</i> in all respects among themselves and with the other Units then in issue.

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- Conditions of the Placing : The Placing is conditional upon the following conditions precedent:
- (a) the grant by the Executive of the Whitewash Waiver and such Whitewash Waiver not having been subsequently revoked or withdrawn;
 - (b) the passing of the necessary resolutions by the Unitholders (or as the case may be, the Independent Unitholders) at the EGM to approve the Transaction Matters Requiring Approval (including among others, the entering into of the Placing Agreement);
 - (c) the passing by at least 75% of the votes cast by the Independent Unitholders either in person or by proxy by way of poll of all necessary resolutions to be proposed at the EGM for the Whitewash Waiver;
 - (d) the delivery to the SFC and the Stock Exchange for authorisation of the publication of the Rights Issue Offering Documents in compliance with the REIT Code and the Listing Rules no later than the Rights Issue Offering Circular Despatch Date;
 - (e) the posting of the Rights Issue Offering Documents to the Rights Issue Qualifying Unitholders (and where applicable, the posting of the Rights Issue Offering Circular to the Rights Issue Non-Qualifying Unitholders, if any, for information purposes only) and the publication of the Rights Issue Offering Documents on the website of the Stock Exchange on or before the Rights Issue Offering Circular Despatch Date;
 - (f) the grant or agreement to the grant by the Stock Exchange of the approval for the listing of the Rights Issue Units (either unconditionally or subject only to the allotment and despatch of the unit certificates in respect thereof) and of the permission to deal in the Rights Issue Units (in both their nil-paid and fully-paid forms) and such approval and permission not subsequently having been withdrawn or revoked prior to the commencement of trading of the Rights Issue Units (in their nil-paid and fully-paid forms respectively);

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- (g) the compliance by the Manager with any other mandatory requirements under the applicable laws and regulations of Hong Kong in connection with the making of the Rights Issue and allotment and offer of the Rights Issue Units by the times as specified under the Underwriting Agreement; and
- (h) the Units remaining listed on the Stock Exchange and no indication being received before the Latest Time for Termination from the Stock Exchange that such listing may be withdrawn or objected to (or conditions will or may be attached thereto).

None of the above conditions can be waived.

If any of the above conditions are not fulfilled at or before the Latest Time for Termination, the Placing Agreement shall be terminated and all obligations of each of the parties under the Placing Agreement (unless otherwise specified therein) shall cease and determine, and none of the parties to the Placing Agreement shall have any claim against any other party except for any antecedent breach.

Completion date of the
Placing

: Subject to the fulfilment of the conditions to the Placing, completion of the Placing shall take place on the date on which the Rights Units (in their fully-paid form) are duly issued and allotted to the Rights Issue Qualifying Unitholders on the terms set out in the Rights Issue Offering Documents or such other date as the Manager and the Placing Agents may agree in writing.

Termination

: Any of the Placing Agents may terminate the Placing Agreement (in respect of itself only and the obligations of the other Placing Agents shall remain and continue unaffected) by notice in writing to the Manager at any time prior to the Latest Time for Termination in the sole and absolute opinion of such Placing Agents, if:

(a) there shall have occurred:

- (i) any material adverse change, or any development reasonably likely to involve a material adverse change, in the condition, financial or otherwise, or in the earnings, assets, business or operations or prospects of the Yuexiu REIT Group taken as a whole; or

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- (ii) any suspension or limitation of trading in any of the Units by the SFC and/or the Stock Exchange for two or more Business Day(s); or
- (iii) any revocation of, suspension of or imposition of conditions on the authorisation as a Hong Kong collective investment scheme under section 104 of the SFO granted by the SFC to Yuexiu REIT; or
- (iv) any material disruption in commercial banking in Hong Kong or the PRC or securities settlement or clearance services in Hong Kong and/or a general moratorium on commercial banking activities having been declared by the relevant authorities in Hong Kong or the PRC; or
- (v) (A) an order is made or an effective resolution passed for (1) the termination, winding-up or dissolution or judicial management of Yuexiu REIT, or (2) the winding-up, dissolution, judicial management or administration of Yuexiu REIT or any member of Yuexiu REIT Group, or (B) Yuexiu REIT or any member of Yuexiu REIT Group ceases or threatens to cease to carry on all or substantially all of its business or operations; or
- (vi) any event or circumstance in the nature of force majeure beyond the control of the Placing Agents (including but without limitation to, calamity, sanctions, strike, any act of government, economic sanction, riot, fire, explosion, flooding, earthquake, civil commotion, act or declaration of war, outbreak, act of terrorism, act of God, pandemic, declaration of a state of emergency or crisis),

that, in the judgement of the Placing Agents, would make the placement of the Placing Units or the enforcement of contracts to purchase the Placing Units impracticable, or would materially prejudice trading of the Placing Units in the secondary market; or

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- (b) the current listing of the Units having been withdrawn, halted, suspended or limited or indication having been received from the SFC and/or the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) for any reason; or
- (c) any of the representations, warranties or undertakings given by the Manager in the Placing Agreement is untrue, inaccurate or misleading or there has been a breach on the part of the Manager of any other provision of the Placing Agreement.

The terms of the Placing Agreement (including the placing commission) were determined after arm's length negotiation between the Placing Agents and the Manager and are on normal commercial terms. The Directors consider that the placing commission charged by the Placing Agents is no less favourable to Yuexiu REIT than the market rate in recent placing transactions and are therefore of the view that the terms of the Placing Agreement are on normal commercial terms.

Given that the Compensatory Arrangements would provide: (i) a distribution channel of the Unsubscribed Rights Issue Units, the NQU Unsold Rights Issue Units and the unsold fractions of the Rights Issue Units for Yuexiu REIT; and (ii) a channel of participation in the Rights Issue for independent investors, the Directors (including the members of the Independent Board Committee whose opinion is set forth in this Circular after having been advised by the Independent Financial Adviser) consider that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of Yuexiu REIT's minority Unitholders. The view of the Independent Financial Adviser in respect of the fairness and reasonableness of the placing commission is set out in the letter from the Independent Financial Adviser appended to this Circular.

As at the date of this Circular, Yue Xiu Securities is an indirect wholly-owned subsidiary of Yue Xiu. As Yue Xiu is also the indirect holding company of the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield), Yue Xiu Securities is a fellow subsidiary (and hence an associate) of the Manager and Dragon Yield and therefore a connected person of Yuexiu REIT. Accordingly, the transactions with Yue Xiu Securities as contemplated under the Placing Agreement (including the placing commission and expenses payable to Yue Xiu Securities assuming that Yue Xiu Securities places the Maximum Untaken Rights Issue Units) constitute connected party transactions of Yuexiu REIT and are subject to the applicable requirements under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code) with respect to connected party transactions. As Yue Xiu Securities will only take part in such transactions as one of the Placing Agents and on the same terms as the other Placing Agents, including with respect to placing commission and expenses, the Manager considers such transactions with Yue Xiu Securities to be on normal commercial terms which are fair and reasonable. Nonetheless, in view of such transactions being part and parcel of the Rights Issue and the underwriting thereof, the Manager will seek Independent Unitholders' approval for such transactions together with the transactions under the

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Underwriting Agreement under one Ordinary Resolution. For further details of the regulatory implications of and the size test attributable to the Placing Agreement, please refer to section 5.3.1 headed “Financing of the Acquisition — Regulatory implications of the Rights Issue — Implications under the REIT Code and the Listing Rules” in this Circular below.

5.2.17 The Underwriting Agreement

The Rights Issue Units (other than those agreed to be taken up by Yue Xiu and Yuexiu Property pursuant to the Irrevocable Undertakings, being the Yue Xiu Entitlement Units and Yuexiu Property Entitlement Units) will be fully underwritten by the Underwriter in accordance with the terms of the Underwriting Agreement. The principal terms and conditions of the Underwriting Agreement are set out below:

Date	:	24 October 2021
Underwriter	:	Yue Xiu
Total number of Rights Issue Units to be underwritten by the Underwriter	:	730,822,457 Rights Issue Units, being the Maximum Untaken Rights Issue Units, i.e. the difference between the total number of Rights Issue Units and the sum of the Yuexiu Property Entitlement Units and the Yue Xiu Entitlement Units (assuming no change of number of Units from the Latest Practicable Date to the Rights Issue Record Date)
Underwriting Commission	:	The Underwriter will not receive any underwriting commission
Conditions of the Underwriting Agreement	:	Please refer to section 5.2.18 headed “Financing of the Acquisition — Rights Issue — Conditions of the Underwriting Agreement” in this Circular below
Termination of the Underwriting Agreement	:	The Underwriter shall be entitled to, by giving a notice in writing to the Manager no later than immediately before the time of the EGM, terminate the Underwriting Agreement. For the avoidance of doubt, the Underwriter shall not be entitled to terminate the Underwriting Agreement in any event after the EGM has taken place.

Subject to the fulfilment of the conditions contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the time of the EGM, the Underwriter has agreed to procure subscribers for, failing which it shall subscribe (as principal) for, the Untaken Rights Issue Units at the Rights Issue Subscription Price.

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As at the date of this Circular, the Underwriter, Yue Xiu, is the indirect holding company of Yuexiu Property through its approximately 39.8% interest in Yuexiu Property, which in turn directly wholly-owns the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield). As the indirect holding company of the Manager and Dragon Yield, Yue Xiu is an associate of both entities and therefore a connected person of Yuexiu REIT. Accordingly, the transactions contemplated under the Underwriting Agreement (including the Underwriter's subscription for the Maximum Untaken Rights Issue Units) constitute connected party transactions of Yuexiu REIT and are subject to the applicable requirements under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code) with respect to connected party transactions. The Manager will seek Independent Unitholders' approval for such transactions together with the transactions under the Placing Agreement under one Ordinary Resolution. For further details of the regulatory implications of the Underwriting Agreement, please refer to section 5.3.1 headed "Financing of the Acquisition — Regulatory implications of the Rights Issue — Implications under the REIT Code and the Listing Rules" in this Circular below.

While it is not in the ordinary course of business of Yue Xiu to underwrite issues of securities, the Manager considers the Yue Xiu's participation as the Underwriter in respect of the Rights Issue and the Irrevocable Undertakings given by Yue Xiu and Yuexiu Property signify their strong support to Yuexiu REIT and their confidence in the prospects and development of Yuexiu REIT. Furthermore, as no underwriting commission is payable to the Underwriter, the Board considers that the Underwriter being the underwriter for the Rights Issue is in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole, and that the terms of the Underwriting Agreement are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole.

5.2.18 Conditions of the Underwriting Agreement

The obligations of the Underwriter under the Underwriting Agreement are conditional on the fulfilment of each of the following conditions:

- (i) the grant by the Executive of the Whitewash Waiver and such Whitewash Waiver not having been subsequently revoked or withdrawn;
- (ii) the passing of the necessary resolutions by Independent Unitholders at the EGM to approve the Transaction Matters Requiring Approval;
- (iii) the passing by at least 75% of the votes cast by the Independent Unitholders either in person or by proxy by way of poll of all necessary resolutions to be proposed at the EGM for the Whitewash Waiver;
- (iv) the delivery to the SFC and the Stock Exchange for authorisation of the publication of the Rights Issue Offering Documents in compliance with the REIT Code and the Listing Rules no later than the Rights Issue Offering Circular Despatch Date;

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- (v) the posting of the Rights Issue Offering Documents to the Rights Issue Qualifying Unitholders (and where applicable, the posting of the Rights Issue Offering Circular to the Rights Issue Non-Qualifying Unitholders, if any, for information purposes only) and the publication of the Rights Issue Offering Documents on the website of the Stock Exchange on or before the Rights Issue Offering Circular Despatch Date;
- (vi) the grant or agreement to the grant by the Stock Exchange of the approval for the listing of the Rights Issue Units (either unconditionally or subject only to the allotment and despatch of the unit certificates in respect thereof) and of the permission to deal in the Rights Issue Units (in both their nil-paid and fully-paid forms) and such approval and permission not subsequently having been withdrawn or revoked) prior to the commencement of trading of the Rights Issue Units (in their nil-paid and fully-paid forms respectively);
- (vii) the compliance by the Manager with any other mandatory requirements under the applicable laws and regulations of Hong Kong in connection with the making of the Rights Issue and allotment and offer of the Rights Issue Units by the times as specified under the Underwriting Agreement; and
- (viii) the Units remaining listed on the Stock Exchange and no indication being received before the Latest Time for Termination from the Stock Exchange that such listing may be withdrawn or objected to (or conditions will or may be attached thereto).

None of the above conditions precedent can be waived. If any of the conditions referred to above are not fulfilled (at or before 4:30 p.m. on Thursday, 6 January 2022 or such later date as the Manager may determine), the Rights Issue (and consequently, the Acquisition) will not proceed.

5.2.19 Termination of the Underwriting Agreement

The Underwriter shall be entitled, by giving a termination notice in writing to the Manager no later than immediately before the time of the EGM, to terminate the Underwriting Agreement.

If prior to the time of the EGM, a termination notice as is referred to above is given by the Underwriter, all obligations of the Underwriter under the Underwriting Agreement shall cease and the Rights Issue (and consequently, the Acquisition) will not proceed.

WARNING OF THE RISKS OF DEALING IN THE RIGHTS ISSUE UNITS AND NIL-PAID RIGHTS ISSUE UNITS

The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Issue Units in their nil-paid and fully-paid forms. Please refer to section 5.2.15 headed “Financing of the Acquisition — Rights Issue — Conditions of the Rights Issue” in this Circular. Unitholders and potential investors of Yuexiu REIT should note that if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed and consequently the Acquisition will not proceed.

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Any Unitholders or other person dealing in the Units and/or the Rights Issue Units in their nil-paid form up to the date on which all the conditions of the Rights Issue are fulfilled will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

Unitholders and potential investors are advised to exercise caution when dealing in the Units and/or the Rights Issue Units in their nil-paid form. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

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5.2.20 Illustrative pro forma unitholding structure

For illustrative purposes only, the following table sets forth information with respect to holdings of Units: (a) as at the Latest Practicable Date; (b) immediately after Rights Issue Completion assuming all Rights Issue Units are fully subscribed for by Rights Issue Qualifying Unitholders; (c) immediately after Rights Issue Completion assuming only Yuexiu Property and Yue Xiu but no other Rights Issue Qualifying Unitholders subscribe for the Rights Issue Units provisionally allotted to them, no Placing Units are subscribed for by the Placees and the Underwriter takes up all the Maximum Untaken Rights Issue Units; and (d) under scenarios (b) and (c) after issue of the Deferred Units required to be issued to settle the remaining Guangzhou IFC Consideration (but assuming no other additional Units are issued post-Acquisition Completion).

	As at the Latest Practicable Date		Immediately after Rights Issue Completion (Note 1)		After issue of the Deferred Units (assuming no other additional Units are issued post-Acquisition Completion)	
	Number of Units	% Unit-holding	Number of Units	% Unit-holding	Number of Units	% Unit-holding
Assuming (a) no subscription by the Rights Issue Qualifying Unitholders (other than Yue Xiu and Yuexiu Property pursuant to the Irrevocable Undertakings) under the Rights Issue and no Placing Units are subscribed for by the Placees; and (b) the Maximum Untaken Rights Issue Units are fully taken up by the Underwriter (Note 1)						
Assuming (a) no subscription by the Rights Issue Qualifying Unitholders (other than Yue Xiu and Yuexiu Property pursuant to the Irrevocable Undertakings) under the Rights Issue and no Placing Units are subscribed for by the Placees; and (b) the Maximum Untaken Rights Issue Units are fully taken up by the Underwriter (Note 4)						
<i>Yuexiu Concert Group</i>						
Yuexiu Property (Note 2)	1,289,767,022	38.7%	1,766,980,819	38.7%	2,177,789,403	43.7%
Yue Xiu (Note 3)	71,261,585	2.1%	97,628,369	2.1%	97,628,369	2.0%
Ms. Ou Haijing (Note 5)	1,000	0.000030%	1,370	0.000022%	1,370	0.000028%
Mr. Li Feng (Note 6)	1,825	0.000055%	2,500	0.000040%	2,500	0.000050%
Subtotal	1,361,031,432	40.8%	1,864,613,058	40.8%	2,275,421,642	45.7%
Public Unitholders	1,975,192,996	59.2%	2,706,014,408	59.2%	2,706,014,408	54.3%
Total	3,336,224,428	100.0%	4,570,627,466	100.0%	4,981,436,050	100.0%

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Notes:

- (1) The figures for these two scenarios are for illustrative purposes only and are calculated based on the assumption that Rights Issue Completion will take place before 31 December 2021. Accordingly, the figures do not take into account the next annual issuance of the Deferred Units on 31 December 2021.

Taking into account the effect of the annual issuance of the Deferred Units on 31 December 2021, the unitholding of the members of the Yuexiu Concert Group in Yuexiu REIT immediately after the Rights Issue Completion (which is expected to take place after 31 December 2021, as indicated in the indicative timetable set out in section headed “Indicative Timetable” in this Circular), would be approximately 41.8% rather than 40.8% (assuming full acceptance by all Rights Issue Qualifying Unitholders under the Rights Issue), and 57.5% rather than 56.8% (assuming (a) no subscription by the Rights Issue Qualifying Unitholders (other than Yue Xiu and Yuexiu Property pursuant to the Irrevocable Undertakings) under the Rights Issue and no Placing Units are subscribed for by the Placees; and (b) the Maximum Untaken Rights Issue Units are fully taken up by the Underwriter).

For avoidance of doubt, the Deferred Units Issue Price Adjustment will only take effect upon Rights Issue Completion. Therefore, based on the indicative timetable, the 2021 Deferred Units will be issued at HKD4.00 per Unit, whereas the Deferred Units Issue Price on 31 December 2022 and thereafter will be adjusted down to HKD3.861652 per Unit.

- (2) The Units are held by Yuexiu Property indirectly (through Dragon Yield and Yuexiu International Investment Limited, which hold 35.09% and 3.57%, respectively of the issued Units as at the Latest Practicable Date).
- (3) The Units are held by Yue Xiu directly and indirectly (through its various wholly-owned subsidiaries, but excluding the Units that are held indirectly by Yuexiu Property).
- (4) The figures for these two scenarios are for illustrative purposes only and are calculated based on the expectation that a further 410,808,584 Deferred Units will be issued, including an estimated approximately 81 million Deferred Units to be issued on 31 December 2021 at HKD4.00 per Unit, and a further sum of 329,808,584 Deferred Units on each of 31 December in 2022 and subsequent year-end date(s) thereafter will be issued at HKD3.861652 per Unit pursuant to the Second Supplemental Indebtedness Agreement. The actual number of 2021 Deferred Units issued will be announced by the Manager on 31 December 2021.
- (5) Ms. Ou Haijing is an executive Director. By virtue of being an executive Director, Ms. Ou is presumed to be a party acting in concert with Yue Xiu pursuant to class (6) presumption under the definition of “acting in concert” under the Takeovers Code until Rights Issue Completion.
- (6) Mr. Li Feng is a non-executive Director. By virtue of being a non-executive Director, Mr. Li is presumed to be a party acting in concert with Yue Xiu pursuant to class (6) presumption under the definition of “acting in concert” under the Takeovers Code until Rights Issue Completion.

Unitholders and public investors should note that the above unitholding changes are for illustration purposes only and the actual changes in the unitholding structure of Yuexiu REIT upon Rights Issue Completion are subject to various factors, including the results of acceptance of the Rights Issue Units. Further announcements will be made by the Manager in accordance with the REIT Code and the Listing Rules at Rights Issue Completion upon which the Rights Issue Units are allotted and issued.

5.2.21 Equity fund raising in the past 12 months

Yuexiu REIT has not raised any funds by an issue of equity securities in the 12 months immediately preceding the Latest Practicable Date and since the end of the last financial year of Yuexiu REIT ended 31 December 2020.

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5.2.22 Intention of Yue Xiu

Yue Xiu has considered and confirmed that, as at the date of this Circular:

- (i) it is intended that Yuexiu REIT will continue with its existing operation following completion of the Acquisition and the Rights Issue;
- (ii) it shares the view of the Directors as disclosed in section 7 headed “Reasons for and Benefits of the Acquisition” in this Circular below, in which it is mentioned that the Acquisition and the Rights Issue are in the interests of Yuexiu REIT; and
- (iii) there is no intention to introduce any major changes to the existing operation or investment policy of Yuexiu REIT or any plan to change the property managers of Yuexiu REIT’s properties or to redeploy the fixed assets of Yuexiu REIT Group other than in its ordinary course of business after completion of the Acquisition and the Rights Issue, and there is no intention to terminate, or cancel the listing of, Yuexiu REIT or to remove the Manager or any of the Directors.

5.3 Regulatory implications of the Rights Issue

5.3.1 Implications under the REIT Code and the Listing Rules

As the Rights Issue will not increase the total number of issued Units or the market capitalisation of Yuexiu REIT by more than 50%, the Rights Issue is not subject to the approval of Unitholders in general meeting pursuant to paragraph 12.3 of the REIT Code and Rule 7.19A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

Yuexiu REIT has not conducted any rights issue or open offer within the 12-month period immediately preceding the date of this Circular, or prior to such 12-month period where dealing in respect of the Units issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own.

As at the Latest Practicable Date, Yue Xiu Securities, being one of the Placing Agents, is an indirect wholly-owned subsidiary of Yue Xiu. As Yue Xiu is also the indirect holding company of the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield), Yue Xiu Securities is a fellow subsidiary (and hence an associate) of the Manager and Dragon Yield and therefore a connected person of Yuexiu REIT. Therefore, the transaction with Yue Xiu Securities as contemplated under the Placing Agreement constitutes a connected party transaction of Yuexiu REIT. As the highest applicable percentage ratios for such transaction contemplated under the Placing Agreement (including the placing commission and expenses payable to Yue Xiu Securities assuming that Yue Xiu Securities places the Maximum Untaken Rights Issue Units) is expected to exceed 0.1% but be less than 5%, such transaction would ordinarily be exempt from the circular (including the opinion and recommendations from an independent financial adviser) and the Independent Unitholders’ approval requirements, but will be subject to the reporting and announcement requirements under Chapter 14A

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of the Listing Rules (modified as appropriate pursuant to the REIT Code). However, in view of such transaction being part and parcel of the Rights Issue and the underwriting thereof, the Manager will also seek Independent Unitholders' approval for the transactions under Placing Agreement and the Underwriting Agreement together under one Ordinary Resolution.

As at the date of this Circular, the Underwriter, Yue Xiu, is the indirect holding company of Yuexiu Property through its approximately 39.8% interest in Yuexiu Property, which in turn directly wholly-owns the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield). As the indirect holding company of the Manager and Dragon Yield, Yue Xiu is an associate of both entities and therefore a connected person of Yuexiu REIT. Therefore, the transaction contemplated under the Underwriting Agreement constitutes a connected party transaction of Yuexiu REIT and is subject to the reporting, announcement, circular and Independent Unitholders' approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

5.3.2 Implications under the Takeovers Code and application for Whitewash Waiver

As at the Latest Practicable Date, the Yuexiu Concert Group was collectively interested in 1,361,031,432 Units, representing approximately 40.8% of the total number of issued Units.

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to subscribe or procure subscriptions for the Maximum Untaken Rights Issue Units. Assuming: (i) there is no change in the total number of issued Units from the Latest Practicable Date up to and including Rights Issue Completion (other than the allotment and issue of Rights Issue Units); (ii) no Rights Issue Qualifying Unitholder (other than Yue Xiu and Yuexiu Property in respect of the Yue Xiu Entitlement Units and the Yuexiu Property Entitlement Units) subscribes for any Rights Issue Units; and (iii) no Unsubscribed Rights Issue Units are successfully placed under the Compensatory Arrangements, the Underwriter will be required to subscribe or procure subscriptions for the Maximum Untaken Rights Issue Units, being 730,822,457 Rights Issue Units, and the voting rights of Yuexiu REIT held by the Yuexiu Concert Group will increase from approximately 40.8% to 56.8% of the issued Units as enlarged by the allotment and issue of the Rights Issue Units upon Rights Issue Completion (excluding the further issuance of the 2021 Deferred Units on 31 December 2021, which will take place before Rights Issue Completion and will increase the percentage further). As the Underwriter may be required to take up the Maximum Untaken Rights Issue Units pursuant to the Underwriting Agreement which would result in a possible increase in its unitholding by more than 2%, Yue Xiu and Yuexiu Property would be obliged to make a mandatory general offer for all the issued Units and other securities (if any) of Yuexiu REIT not already owned or agreed to be acquired by them under Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive.

Accordingly, Yue Xiu has applied to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things: (i) the approval of the Whitewash Waiver by at least 75% of the votes cast by the Independent Unitholders present and voting (either in person or by proxy) by way of a poll at the EGM; and (ii) the approval of the Acquisition, the Underwriting Agreement and the transactions contemplated thereunder by more than 50% votes cast by the Independent

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Unitholders present and voting (either in person or by proxy) by way of a poll at the EGM. If the Whitewash Waiver is not granted by the Executive, or if granted, either the Whitewash Waiver or the Acquisition is not approved by the Independent Unitholders, the Rights Issue (and the Acquisition) will not proceed.

If, as a result of the Rights Issue (including the underwriting arrangements under the Underwriting Agreement), the Yuexiu Concert Group’s voting rights in Yuexiu REIT exceed 50%, the Yuexiu Concert Group may, subject to the Whitewash Waiver being granted, further increase their holding of Units without incurring any obligation under Rule 26 of the Takeovers Code to make a mandatory general offer after Rights Issue Completion. Given the number of Deferred Units to be issued each year to settle the remaining balance of the Guangzhou IFC Consideration is determined by reference to the maximum number of Units that may be issued to Yuexiu Concert Group without triggering an obligation to make a mandatory general offer under Rule 26 of the Takeovers Code, the Manager proposes to make the Deferred Units Arrangement Modification, subject to Independent Unitholders’ approval at the EGM and approval of the YXP Independent Shareholders at the Yuexiu Property GM. For further details of the Deferred Units Arrangement Modification, please refer to section 10 headed “Modification of Deferred Units Arrangement” in this Circular.

As at the Latest Practicable Date:

- (i) save as disclosed in section 5.2.20 headed “Financing of the Acquisition — Rights Issue — Illustrative pro forma unitholding structure” in this Circular, none of the members of the Yuexiu Concert Group holds, owns, has control or has direction over any other voting rights, rights over Units, any outstanding options, warrants, or any securities that are convertible into Units or holds any outstanding derivatives in respect of the securities of Yuexiu REIT, or holds any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Yuexiu REIT;
- (ii) save for the Irrevocable Undertakings given by Yue Xiu and Yuexiu Property, details of which are set out in section 5.2.13 headed “Financing of the Acquisition — Rights Issue — Irrevocable Undertakings by Yue Xiu and Yuexiu Property” in this Circular, none of the members of the Yuexiu Concert Group had acquired or entered into any agreement or arrangement to acquire any voting rights in Yuexiu REIT or had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Yuexiu REIT during the period commencing six months immediately preceding the date of the Announcement and ending on the Latest Practicable Date;
- (iii) none of the members of the Yuexiu Concert Group has received any irrevocable commitment to vote for or against the resolutions to be proposed at the EGM to approve the Transaction Matters Requiring Approval;
- (iv) save for the entering into of the Acquisition and the Rights Issue (including the Irrevocable Undertakings, the Placing Agreement and the Underwriting Agreement), there is no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (whether

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by way of option, indemnity or otherwise) that had been entered into in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Yuexiu REIT, Yue Xiu or Yuexiu Property, and which might be material to the Rights Issue, Underwriting Agreement and/or the Whitewash Waiver;

- (v) save for the Rights Issue being conditional upon obtaining of the Whitewash Waiver by the members of the Yuexiu Concert Group as set out in section 5.2.15 headed “Financing of the Acquisition — Rights Issue — Conditions of the Rights Issue” in this Circular, there is no agreement or arrangement to which Yue Xiu, Yuexiu Property or parties acting in concert with them is a party which relates to circumstances in which it may or may not invoke or seek a pre-condition or a condition to the Rights Issue, Underwriting Agreement and/or the Whitewash Waiver;
- (vi) none of the members of the Yuexiu Concert Group borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Yuexiu REIT;
- (vii) save for the Rights Issue Units to be subscribed for by any members of the Yuexiu Concert Group, there is no other consideration, compensation or benefit in whatever form that has been or will be paid by any members of the Yuexiu Concert Group to Yuexiu REIT in connection with the Rights Issue and the Underwriting Agreement;
- (viii) there was no understanding, arrangement, agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Unitholder on the one hand; and (2) any members of the Yuexiu Concert Group on the other hand;
- (ix) there was no understanding, arrangement, agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Unitholder on the one hand; and (2) Yuexiu REIT, any of its subsidiaries or associated companies on the other hand;
- (x) none of the members of the Yuexiu Concert Group has dealt in the Units, outstanding options, derivatives, warrants or other securities convertible into any Units during the six-month period prior to the date of the Announcement and up to the Latest Practicable Date (save that 16,936,297 Units were issued by Yuexiu REIT to the Manager’s nominee on 26 August 2021 as part payment of the Manager’s fees for the period from 1 January 2021 to 30 June 2021, details of which are set out in the announcement of Yuexiu REIT dated 26 August 2021); and
- (xi) the Manager does not believe that Transaction Matters Requiring Approval would give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Manager notes that the Executive may not grant the Whitewash Waiver if the Transaction Matters Requiring Approval do not comply with other applicable rules and regulations.

5.4 New Bank Facility

On 19 October 2021, the Manager has entered into commitment letters with the lender banks which are independent third parties for the provision of a Hong Kong dollar denominated unsecured

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term loan facility up to an amount not exceeding HKD4,600 million (being equivalent to approximately RMB3,828 million, the “**New Bank Facility**”), which is intended to be drawn down in full to finance, among others, part of the Acquisition Consideration and/or One-Off Fees and Charges. Each of the lender banks is an independent third party and not a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). The New Bank Facility will bear interest at a margin of 1.3% per annum over HIBOR, and will mature and become repayable in three years from the date on which the New Bank Facility is drawn down. The Trustee will provide an unconditional and irrevocable guarantee (with recourse limited to the Deposited Property) in favour of the lender banks in respect of the New Bank Facility.

Subject to the negotiation and signing of the loan agreement at applicable market terms: (a) the loan agreement in respect of the New Bank Facility is expected to be entered into before Acquisition Completion and the New Bank Facility is expected to be drawn down at Acquisition Completion. In the event that the New Bank Facility is not in place at Acquisition Completion or the loan amount under such New Bank Facility is not available for drawdown at Acquisition Completion, the relevant Acquisition Conditions will not have been satisfied and the Acquisition will not complete. An announcement will be issued by the Manager in such circumstances.

The terms and conditions of the New Bank Facility described in this Circular are indicative only and subject to change depending on the market conditions at the time the New Bank Facility is finalised and the relevant loan agreement(s) are signed, and do not represent the complete set of the actual terms and conditions. The actual terms and conditions of the New Bank Facility may differ from, or may comprise additional or fewer terms and conditions as compared with, the indicative terms and conditions described in this Circular. To the extent that there are any material changes to the indicative terms and conditions described in this Circular, the Manager will issue an announcement to provide details of such changes.

5.5 Gearing Ratio of the Enlarged Portfolio taking into consideration the New Bank Facility

Based on the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix 4 to this Circular and the One-Off Fees and Charges, the Gearing Ratio of the Enlarged Portfolio taking into consideration the New Bank Facility is expected to increase from approximately 38.8% as at 30 June 2021 to approximately 41.0% upon Acquisition Completion, assuming (a) Rights Issue Completion; and (b) the HKD equivalent of RMB3,752 million being drawn down under the New Bank Facility to finance the Acquisition Consideration and the One-Off Fees and Charges. The Manager believes that this level is prudent under the current market conditions, and notes that it does not exceed 50.0%, being the borrowing limit as permitted under the REIT Code.

5.6 Reasons for the Rights Issue and the New Bank Facility and the use of proceeds

The net proceeds to be raised from the Rights Issue and the New Bank Facility will be approximately HKD3,919 million (equivalent to approximately RMB3,261 million) and up to approximately HKD4,600 million (equivalent to approximately RMB3,828 million), respectively

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based on the Financing Structure. The net proceeds of the Rights Issue and the New Bank Facility will be applied towards the settlement of the Acquisition Consideration payable to the Vendor as well as the payment of the One-Off Fees and Charges of approximately RMB64.5 million arising out of the Acquisition.

Yuexiu REIT's last three acquisitions of the Hangzhou Property, the Wuhan Property and Shanghai Yue Xiu Tower were funded by a combination of debt and internal resources (including proceeds from the sale of one of its properties). The Manager considered raising funds for the Acquisition in full by way of debt financing. However, funding the Acquisition purely by way of debt financing would significantly increase Yuexiu REIT's debt exposure and result in a Gearing Ratio close to the borrowing limit as permitted under the REIT Code. In order to maintain the sustainable financing structure of Yuexiu REIT, which the Manager considers to be a key contributor to the low funding costs it has been enjoying, and to keep a comfortable headroom under the permitted borrowing limit under paragraph 7.9 of the REIT Code as a good risk management on liquidity and overall debt exposure, the Manager considers that the Financing Structure, which comprises mainly the New Bank Facility and the Rights Issue, represents the optimal mix of debt and equity financing to fund the Acquisition.

Based on the reasons above as well as those mentioned in section 5.1 headed "Financing of the Acquisition — Financing Structure", the Manager is of the view that it is in the best interests of Yuexiu REIT and its Unitholders to raise funds according to the Financing Structure, which enables Yuexiu REIT to finance the Acquisition without substantially increasing debt liabilities and resulting in a Gearing Ratio exceeding the borrowing limit as permitted under the REIT Code, and allowing all Unitholders to participate in the portfolio development of Yuexiu REIT on equal terms.

5.7 Key considerations in determining the size of the Rights Issue, the Rights Issue Subscription Price at HKD3.20 and the underwriting arrangements

Size of Rights Issue and Rights Issue Subscription Price

In determining the size of the Rights Issue (on the basis of 37 Units for every 100 Units) and the Rights Issue Subscription Price of HKD3.20, the Manager adopted a combination that would be instrumental in minimising possible NAV dilution and be DPU/DPU Yield accretive upon Acquisition Completion. In addition, the Manager considers that the Rights Issue Subscription Price of HKD3.20 represents a relatively small discount to the theoretical ex-rights price of the Units while offering an attractive cost basis for Unitholders to invest in Yuexiu REIT with potential for long-term growth.

Existing Unitholders, regardless of whether they participate in the Rights Issue or not, will enjoy DPU and DPU Yield accretion after the Acquisition on pro forma basis.

The Manager also notes that the Independent Financial Adviser has considered: (i) the Rights Issue Subscription Price was slightly lower than the lowest closing Unit price during the period from 1 January 2020 up to and including Latest Practicable Date; and (ii) the financial effects on the DPU and DPU Yield accretion upon completion of the Acquisition and the Rights Issue, and has concluded that the Rights Issue Subscription Price is fair and reasonable and in the interests of Yuexiu REIT and its Unitholders as a whole.

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Underwriting arrangements

While the Manager considered entering into underwriting arrangements with third parties, it was unable to identify independent third parties who were willing to underwrite the Rights Issue at the Rights Issue Subscription Price, which (together with the size of the Rights Issue) is a key metric to support the Acquisition being DPU and DPU Yield accretive.

Yue Xiu agreed to fully underwrite the Rights Issue without charging any underwriting commission. This (together with the provision of Irrevocable Undertakings by Yue Xiu and Yuexiu Property) signifies their strong support in the long-term growth of Yuexiu REIT and their confidence in the prospects and development of Yuexiu REIT.

6 FEES AND CHARGES IN RELATION TO THE ACQUISITION

6.1 Fees and charges payable in relation to the Acquisition

As the Target Company is being acquired from a connected person (as seller) of Yuexiu REIT through the Manager, no acquisition fee is payable to the Manager under the Trust Deed in connection with the Acquisition.

Pursuant to the Trust Deed, the Trustee is entitled to charge additional fees for duties undertaken by the Trustee in connection with the Acquisition which are of an exceptional nature or otherwise outside the scope of the Trustee's normal duties in the ordinary course of Yuexiu REIT's day-to-day business operations. The Trustee has agreed with the Manager that it will charge Yuexiu REIT a one-time additional fee of approximately HKD2 million for duties undertaken by it in connection with the Acquisition (the "**Trustee's Acquisition Additional Fees**").

The total fees and charges payable in relation to the Acquisition, including the Trustee's Acquisition Additional Fees, legal fees, advisory fees, professional fees and expenses that are incidental to the Acquisition but does not include expenses that occur due to the Rights Issue (the "**One-Off Fees and Charges**"), are estimated to amount to approximately RMB64.5 million. The One-Off Fees and Charges are one-off transaction expenses for the Acquisition which are of a non-recurring nature.

6.2 Ongoing fees and charges following Acquisition Completion

Pursuant to the Trust Deed:

- (a) the Manager is entitled to receive: (i) a base fee of 0.3% per annum of the value of the Deposited Property as calculated and adjusted in accordance with the Trust Deed; and (ii) a service fee of 3.0% per annum of the net property income as shown in the latest published annual financial statements of Yuexiu REIT, subject to adjustment as calculated in accordance with the Trust Deed pro-rated on a time basis; and
- (b) the Trustee is entitled to receive a fee which is currently 0.03% per annum of the value of the Deposited Property calculated and adjusted in accordance with the Trust Deed, subject to a minimum amount of HKD50,000 per month.

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The value of the Deposited Property will be increased upon completion of the Acquisition.

Pursuant to the Trust Deed, the Manager's fees shall be paid in the form of cash and/or Units (as the Manager may elect annually on or before 15 January of each year). As stated in the announcement of Yuexiu REIT dated 15 January 2021, the Manager has elected to receive its Manager's fees for the year ending 31 December 2021 in the form of cash (as to 20%) and Units (as to 80%). Subject to Acquisition Completion, the Manager intends to receive 100% of the Manager's fees payable for the years ending 31 December 2022, 31 December 2023 and 31 December 2024 in the form of Units. The Manager will make a further announcement to confirm its election for the year ending 31 December 2022 on or before 15 January 2022.

7 REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board (including all the INEDs) believes that the Acquisition will bring the following benefits to the Unitholders:

7.1 A vibrant Grade A office property providing long term growth

The Property was completed in 2015 and is entering into its second lease cycle. In comparison, a majority of Yuexiu REIT's existing properties are relatively mature and generating stable income. The passing rent for the office component of the Property is approximately RMB199.3 per sq.m. per month (as of 30 September 2021), below the average rent of International Grade A office buildings of RMB218 per sq.m. per month in Q2 2021 for comparable Core Area of ZJNT properties. Therefore, the Manager believes that the rent from the Property has further upward potential.

Going forward, Guangzhou's positioning as a national central city and transportation hub with favourable policy support from the Central People's Government of the PRC including but not limited to the Greater Bay Area and Belt and Road Initiative, will continue to benefit office buildings growth in the region. According to the Market Consultant Report, the rental rate of international Grade A office space in the Core Area of ZJNT is expected to have a steady growth at 3.2% to 4.4% in between 2022 to 2025, mainly due to the scarcity of office space in the area in the next four years. The Manager believes that the Property is well positioned to capitalise on the growth opportunities during the second lease cycle and if the impact of COVID-19 continues to ease.

7.2 Inclusion of a rare, premium property to Yuexiu REIT's portfolio

The Property will be Yuexiu REIT's second premium property in the Core Area of ZJNT and the seventh office property and ninth property in its portfolio, and is expected to: (i) provide an additional source of distributable income; (ii) reduce current portfolio's income reliance on Guangzhou IFC, and (iii) enhance and enlarge Yuexiu REIT's property portfolio. In particular:

- (i) Based on the Unaudited Pro Forma Financial Information of the Enlarged Group to be set out in Appendix 4 to this Circular, the revenue generated by the Property for the six months ended 30 June 2021, together with the six-months' contribution from the revenue generated under the Carpark Master Lease Agreement and the Naming Rights Agreement, would increase Yuexiu REIT's portfolio revenue by 24% for the same period;

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- (ii) The Acquisition will reduce Yuexiu REIT's valuation concentration from Guangzhou IFC. Following Acquisition Completion, the contribution from Guangzhou IFC to Yuexiu REIT's total portfolio in terms of property valuation is expected to reduce from approximately 54% to approximately 44%; and
- (iii) The Property will bring in a total gross rentable area by a further 170,196.81 sq.m., with 166,378.62 sq.m. being office. Prior to the Acquisition, office properties account for approximately 68% of Yuexiu REIT's portfolio by area of ownership. After Acquisition Completion, the proportion will increase to approximately 73%. Based on the market value of the Existing Properties and the Property as at 31 August 2021, Yuexiu REIT's portfolio valuation is expected to increase by approximately 23% after Acquisition Completion. Yuexiu REIT's Enlarged Portfolio is expected to be the largest by valuation compared to the PRC property portfolios of other REITs listed in Hong Kong and Singapore. In addition, the Acquisition will reduce the average age of the properties in Yuexiu REIT's portfolio (from 14.2 years to 13.4 years). The Property is also expected to attract well-established domestic and multinational corporations, including some of China's top 500 enterprises and Fortune Global 500 enterprises, and to diversify Yuexiu REIT's tenant base.

Furthermore, the Acquisition may create potential synergies and cross promotional opportunities between Guangzhou IFC and the Property, which are in proximity to each other. The Acquisition will allow Yuexiu REIT to spread operating costs over a larger portfolio and achieve operating synergies through the established property management teams who are currently carrying out the leasing and building management functions for Guangzhou IFC. In addition, the Manager believes that having a portfolio of two landmark office buildings in the Core Area of ZJNT will enhance its appeal and negotiation power in recruiting new tenants and its ability to form a better base for cross promotional opportunities between Guangzhou IFC and the Property.

7.3 A landmark premium quality asset located in the Core Area of ZJNT

7.3.1 Landmark office building with strategic location at a transportation hub

The Core Area of ZJNT is located in the centre of Guangzhou Tianhe central business district, a hub for the financial and high-end service sectors in Southern China. The Property has the highest leasable office space compared to other Grade A office buildings in the area, located in the Core Area of ZJNT with superior connectivity and accessibility to the existing metro lines 3 and 5 and the automated people mover system. The Property is located at the central axis of the Core Area of ZJNT and is within walking distance of Zhujiang New Town Station, where metro lines 3 and 5 interchange and also is 200 metres from Xiancun Station, where metro lines 13 and 18 will interchange. Metro line 18 was newly opened on 28 September 2021 and Phase 2 of line 13 is currently under construction and is expected to open in 2022. The opening of these two new metro lines will further enhance the accessibility of the Property. Moreover, the Property has a helipad, which is unique and rare infrastructure compared to the other Grade A office buildings in Guangzhou and supports flying routes between Guangzhou, Shenzhen and Zhuhai.

7.3.2 High quality tenant base

According to the Market Consultant Report, the Property is highly competitive in the region given its International Grade A quality, prime location and advanced facilities. It has attracted many

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high-quality tenants across various industries including business services, finance and information technology. The Property is now in a stable operation period with an average occupancy rate of 92.5% for the nine months ended 30 September 2021 maintained at high level. As at 30 September 2021, 14 tenants of the Property are Fortune Global 500 enterprises, contributing 12.6% of the gross rental income of the Property for the month ended 30 September 2021.

7.3.3 Award winning design and advanced infrastructure

The Property's outstanding design, quality and infrastructure are widely recognised and won multiple awards including the US Green Building Council LEED EBOM V4 Platinum Certification (美國綠色建築LEED EBOM V4鉑金級), the International WELL Building (IWBI) WELL V2 Platinum Pre-certification (國際WELL建築研究院WELL V2鉑金級預認證) and the China Construction Engineering Luban Award (National Prime-quality Project) (中國建設工程魯班獎(國家優質工程)), with the latter being the highest award for construction quality in the PRC.

7.4 A DPU and DPU Yield accretive transaction with potential capital appreciation upside

Based on the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix 4 to this Circular, on a pro forma basis as if the Property had been held by Yuexiu REIT for the six months ended 30 June 2021, and further assuming: (i) the Reverse Merger had not been completed, the Acquisition and the Rights Issue is expected to be DPU and DPU Yield accretive compared to before the Acquisition and the Rights Issue; and (ii) the Reverse Merger had been completed, the Acquisition and the Rights Issue is expected to further enhance the DPU and DPU Yield.

Existing Unitholders, regardless of whether they participate in the Rights Issue or not, will enjoy DPU and DPU Yield accretion after the transaction on pro forma basis.

The Appraised Value and the Agreed Acquisition Amount implies a valuation per square metre of RMB47,181 and a transaction price per square metre of RMB45,829 respectively, which is significantly lower than the transaction price of RMB61,500 of the Zhuguang Tancun Office Building (珠光譚村寫字樓) located at No. 767 Huacheng Avenue of ZJNT (based on gross rentable area of office and retail portion), transacted in December 2020 in ZJNT that is being considered as the closest and recent comparable transaction to the Acquisition by the Independent Property Valuer. The transaction price disparity implies a potential for capital appreciation, which will enhance the quality and valuation of Yuexiu REIT's portfolio.

7.5 Potential increase in market capitalisation and improvement in trading liquidity of Units

The Acquisition, which will be partly financed by the Rights Issue, is expected to increase the market capitalisation and enhance the overall liquidity of the Units and Yuexiu REIT's ability to access funding through the public capital markets. The Rights Issue will increase the number of Units in issue by approximately 1,234 million, which is an increase of approximately 37% based on the total number of Units in issue as at the Latest Practicable Date. The increase in the total number of Units in issue and publicly traded is expected to improve the trading liquidity of the Units and broaden the Unitholder base of Yuexiu REIT.

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7.6 Capture Greater Bay Area and Guangzhou's robust economic fundamentals and growing commercial property market

In March 2017, the PRC Government announced the key strategic planning in the country's development blueprint concerning the GBA, which aims to deepen cooperation amongst Guangdong, Hong Kong and Macao, fully leverage the composite advantages of the three places, facilitate in-depth integration within the region, and promote coordinated regional economic development, with a view to developing an international first-class bay area ideal for living, working and travelling. In February 2019, the Chinese Communist Party Central Committee and the State Council released the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" 《(粵港澳大灣區發展規劃綱要)》 (the "**GBA Development Plan**"), which is a framework document aiming to provide guidance on the current and future cooperation and development of the GBA. Hong Kong, as an international financial, transportation, trade and aviation hub with renowned professional services, is well-positioned to facilitate and support the economic development of the region, with a view to enhancing the role and functions of the GBA in the country's two-way opening up.

The Market Consultant expects that by 2022, the overall strength of the GBA will be significantly enhanced, and gradually form an international first-class bay area and a world-class urban agglomeration, and by 2035, an innovation based economic system and development model of the GBA will be formed, and a world-class bay area will be fully established.

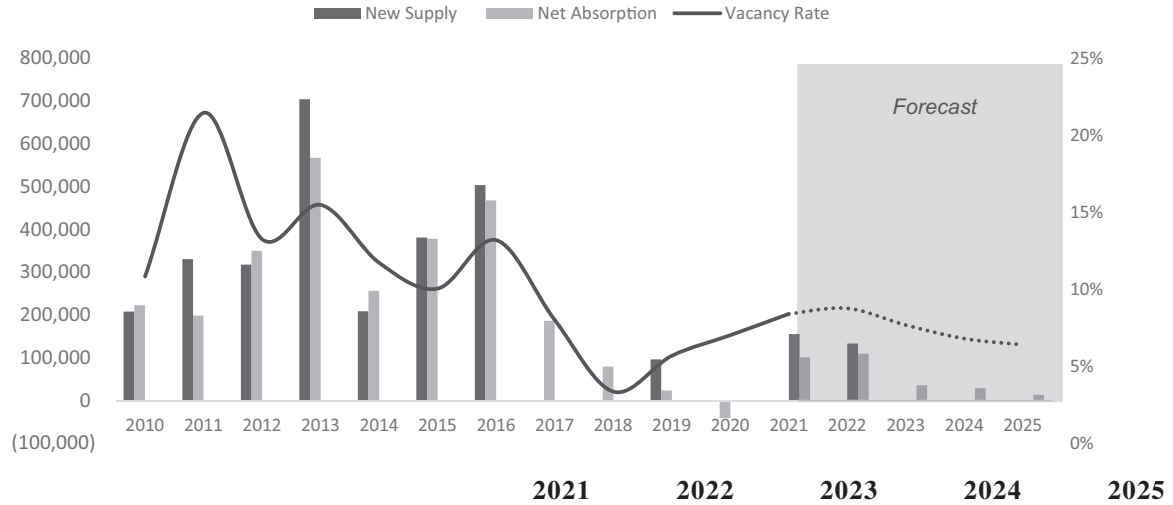


Being the largest city in Southern China and the political, economic and cultural centre and transportation hub of Guangdong Province, Guangzhou's development is strongly supported by policies promulgated by the Central People's Government of the PRC, including the GBA Development Plan and the Belt and Road Initiative.

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Based on the Market Consultant Report, the Manager believes that the International Grade A office market in the Core Area of ZJNT has strong potential for growth. According to the Market Consultant, the net absorption (calculated by the sum of square metre area newly leased out minus the sum of square metre area that is returned to the rental market in a given period) in the area remains strong.

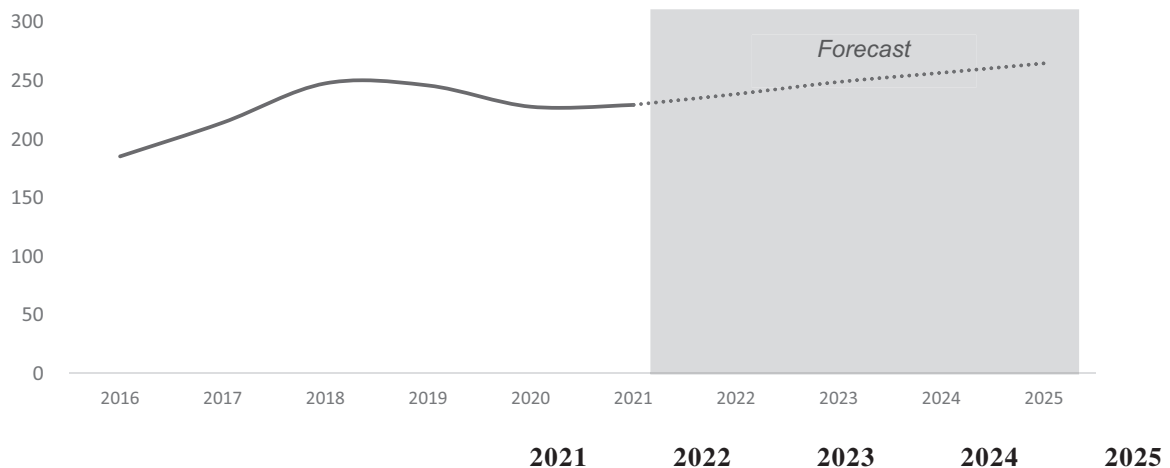
Forecast of Office Market of Grade A Office Space in ZJNT, up to 2025 (sq.m.)



Forecast of Vacancy Rate of Grade A Office Space in ZJNT	2021	2022	2023	2024	2025
	8.4%	8.8%	7.7%	6.8%	6.4%

Source: Cushman & Wakefield Limited

Forecast of Rent of International Grade A Office Buildings in Core Area of ZJNT, up to 2025 (RMB/sq.m./month)



Forecast of Rent Growth Rate of International Grade A Office Buildings in Core Area of ZJNT	2021	2022	2023	2024	2025
	0.7%	4.0%	4.4%	3.2%	3.2%

Source: Cushman & Wakefield Limited

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According to the Market Consultant, due to the decreasing supply of Grade A office buildings, the vacancy rate of ZJNT has also been gradually decreasing in recent years and remained at a relatively low level at 7.0% in Q4 2020 and 6.4% in Q2 2021.

8 DECLARATION OF SPECIAL DISTRIBUTION

In light of the Acquisition and the Rights Issue, the Manager will, conditional upon Acquisition Completion, declare a Special Distribution to Unitholders whose names appear on the register of Unitholders as at the Special Distribution Record Date (being 9 December 2021) (the “**Special Distribution**”). The Special Distribution will be funded from Yuexiu REIT’s accumulated undistributed cash reserves primarily arising from the write-back of construction payables for Guangzhou IFC. The amount of the Special Distribution will be approximately RMB85 million, or RMB0.0255 per Unit, and will be distributed from the existing offshore cash balance of Yuexiu REIT. As at the Latest Practicable Date, the offshore cash balance of Yuexiu REIT amounted to approximately RMB119 million. Taking into account: (i) the financial resources available to Yuexiu REIT; and (ii) its projected cashflow requirements for at least the next 12 months from the date of this Circular, the Manager does not expect the Special Distribution to have any material adverse impact on the cashflows of Yuexiu REIT.

The Special Distribution will be declared and paid within 30 Business Days after Acquisition Completion. To qualify for the Special Distribution, the Unitholder’s name must appear on the register of Unitholders of Yuexiu REIT as at the close of business on the Special Distribution Record Date. **As the Rights Issue Units and the 2021 Deferred Units will only be issued after the Special Distribution Record Date, they will not entitle their holders to the Special Distribution.**

9 FINANCIAL EFFECTS OF THE ACQUISITION AND THE RIGHTS ISSUE

9.1 Pro forma financial effects

The pro forma financial effects of the Acquisition and the Rights Issue on DPU, DPU Yield, NAV and capitalisation of Yuexiu REIT below are strictly for illustrative purposes and unless otherwise stated, were prepared based on:

- (a) the unaudited interim condensed financial information of Yuexiu REIT for the six months ended 30 June 2021; and
- (b) the audited financial information of the Target Group for the six months ended 30 June 2021 as set out in Appendix 2 headed “Accountant’s Report in respect of the Target Group” to this Circular,

and assuming:

- i. the Acquisition Consideration will be financed in accordance with the Financing Structure;

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- ii. the Acquisition will be recognised as an asset merger and will not generate goodwill; and
- iii. other matters stated in sections 9.2 to 9.4 in this Circular.

The Manager considers the above assumptions to be appropriate and reasonable as at the date of this Circular. However, Unitholders should consider the information outlined below in light of such assumptions and make their own assessment of the future performance of Yuexiu REIT.

Unitholders should note that the financial effects of the Acquisition are presented on a pro forma basis for illustrative purposes only and are subject to the assumptions set out in Appendix 4 headed “Unaudited Pro Forma Financial Information of the Enlarged Group” to this Circular. Accordingly, they do not constitute a profit forecast or represent the actual financial position of Yuexiu REIT as a result of the Acquisition and the Rights Issue in the future. Furthermore, because of their hypothetical nature, they may not give a true picture of the financial position and the financial performance of the Enlarged Group had the Acquisition and the Rights Issue been completed as at 30 June 2021 or 1 January 2021, where applicable, or at any future date.

9.2 Pro forma DPU

The following table illustrates the pro forma financial effects of the Acquisition and the Rights Issue on the DPU and DPU Yield for the six months ended 30 June 2021 based on the Unaudited Pro Forma Financial Information of the Enlarged Group as set out in Appendix 4 to this Circular, as if: (i) the Acquisition and the Rights Issue were all completed on 1 January 2021 and Yuexiu REIT had held and operated the Property through to 30 June 2021 under the holding structure set out in section 4.2 headed “Holding Structure of the Property and Reverse Merger — Expected holding structure of the Property as at the Acquisition Completion Date” in this Circular, but the Reverse Merger does not complete during such period; and (ii) in addition to (i), the Reverse Merger was completed on 1 January 2021 and Yuexiu REIT therefore alternatively held and operated the Property through to 30 June 2021 under the holding structure set out in section 4.3 headed “Holding Structure of the Property and Reverse Merger — Reverse Merger” in this Circular:

	Before completion of the Acquisition and the Rights Issue⁽¹⁾	After completion of the Acquisition and the Rights Issue but before the completion of the Reverse Merger⁽²⁾	After completion of the Acquisition, the Rights Issue and the Reverse Merger⁽³⁾
Distributable Income (RMB'000)	340,221	471,500	483,186
Issued Units ('000)	3,336,224 ⁽⁴⁾	4,579,505 ⁽⁵⁾	4,579,505 ⁽⁵⁾
DPU (RMB)	0.1020 ⁽⁶⁾	0.1030 ⁽⁷⁾	0.1055 ⁽⁷⁾
DPU Yield	6.68% ⁽⁸⁾	6.99% ⁽⁹⁾	7.16% ⁽⁹⁾

Notes:

- (1) Based on the unaudited interim condensed consolidated distribution statement of Yuexiu REIT for the six months ended 30 June 2021.

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- (2) The financial performance of the Enlarged Group is based on: (i) the unaudited interim condensed consolidated financial information of Yuexiu REIT and the audited financial information of the Target Group as at and for the six months ended 30 June 2021; (ii) assuming that the Acquisition and Rights Issue were completed on 1 January 2021 and Yuexiu REIT had held and operated the Property through to 30 June 2021 under the holding structure set out in section 4.2 headed “Holding Structure of the Property and Reverse Merger — Expected holding structure of the Property as at the Acquisition Completion Date” in this Circular; and (iii) assuming that the Reverse Merger does not complete during the relevant period.
- (3) The financial performance of the Enlarged Group is based on: (i) the unaudited interim condensed consolidated financial information of Yuexiu REIT and the audited financial information of the Target Group as at and for the six months ended 30 June 2021; and (ii) assuming that the Acquisition, Rights Issue and Reverse Merger were completed on 1 January 2021 and Yuexiu REIT had held and operated the Property through to 30 June 2021 under the holding structure set out in section 4.3 headed “Holding Structure of the Property and Reverse Merger — Reverse Merger” in this Circular.
- (4) Number of issued Units as at 30 June 2021, plus 16,936,297 issued 1H21 Manager Fee Units issued on 26 August 2021.
- (5) The sum of (1) issued Units as at 30 June 2021, (2) 16,936,297 Units issued on 26 August 2021 for settlement of 80.0% of the Manager’s fee for the six months ended 30 June 2021, (3) approximately 8,878,000 Units which would be additionally issued for settlement of the remaining 20% of the Manager’s fee for the six months ended 30 June 2021, and (4) 1,234,403,038 Units to be issued for the proposed Rights Issue assuming the Acquisition and Rights Issue was completed on 1 January 2021.
- (6) DPU for the six months ended 30 June 2021 as announced by the Manager on 15 September 2021, which is based on the number of Units in issue on the record date of the 2021 Interim Distribution and includes the Issued 1H21 Manager Fee Units.
- (7) DPU for the six months ended 30 June 2021 is computed based on distributable income divided by the issued Units.
- (8) DPU Yield before Acquisition Completion is computed based on DPU for the six months ended 30 June 2021, on an annualised basis, divided by the closing price of HKD3.67 per Unit on the Last Trading Day.
- (9) DPU Yield after Acquisition Completion is computed based on DPU for the six months ended 30 June 2021, on an annualised basis, divided by the theoretical ex-rights price of HKD3.54 per Unit based on the closing price of HKD3.67 per Unit on the Last Trading Day.

Unitholders should be aware that completion of the Reverse Merger requires certain steps (including but not limited to obtaining requisite approvals from the relevant PRC government authorities) which have not been completed as at the Latest Practicable Date. Although, based on the advice of the PRC Legal Advisers, the Manager expects the Reverse Merger will complete no later than April 2022 and that there will not be any legal impediment to its completion, there is no assurance that the Reverse Merger will complete in or before April 2022 or at all.

For the avoidance of doubt, Yuexiu REIT shall only be entitled to the profits derived from the Property after Acquisition Completion. As Acquisition Completion is expected to take place in December 2021, less than one month of profits derived from the Property during December 2021 will be reflected in Yuexiu REIT’s annual results (and therefore distributable income) for the financial year ending 31 December 2021, compared to the above pro forma which assumes Acquisition Completion at the start of the pro forma period and profits derived from the Property being accounted for that whole period. Further, although the profits derived from the Property will only be accounted for by Yuexiu REIT to a limited extent for the six months ending 31 December 2021, all Unitholders as at the record date for the distribution in respect of such period, including holders of the Rights Issue Units (as such Units will be issued prior to such record date), will be entitled to the distributable income in respect of such period.

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9.3 Pro forma net assets attributable to Unitholders per Unit

The pro forma financial effects of the Acquisition and the Rights Issue on net assets attributable to Unitholders per Unit as at 30 June 2021, as if the Acquisition and the Rights Issue was completed on 30 June 2021, are as follows:

	Before the Acquisition	After the Acquisition and Rights Issue
Net assets attributable to Unitholders (<i>RMB'000</i>)	14,564,303 ⁽¹⁾	17,805,735 ⁽²⁾
Issued Units (<i>'000</i>)	3,336,224 ⁽³⁾	4,579,505 ⁽⁴⁾
Net assets (including net assets attributable to holders of Deferred Units) attributable to existing Unitholders per Unit (<i>RMB</i>)	4.366	3.888

Notes:

- (1) Based on the unaudited interim condensed consolidated balance sheet of Yuexiu REIT as at 30 June 2021.
- (2) The financial position of the Enlarged Group is based on: (i) the unaudited interim condensed consolidated financial information of Yuexiu REIT as at 30 June 2021 and the audited financial information of the Target Group as at 30 June 2021; and (ii) assuming the Acquisition and Rights Issue was completed on 30 June 2021.
- (3) Number of issued Units as at 30 June 2021 and 16,936,297 Units issued on 26 August 2021 for settlement of 80.0% of the Manager's fee for the six months ended 30 June 2021.
- (4) The sum of (1) issued Units as at 30 June 2021, (2) 16,936,297 Units issued on 26 August 2021 for settlement of 80.0% of the Manager's fee for the six months ended 30 June 2021, (3) approximately 8,878,000 Units which would be additionally issued for settlement of the remaining 20% of the Manager's fee for the six months ended 30 June 2021, and (4) 1,234,403,038 Units to be issued for the proposed Rights Issue assuming the Acquisition and Rights Issue was completed on 1 January 2021.

9.4 Pro forma capitalisation

The following table sets forth the capitalisation of Yuexiu REIT as at 30 June 2021 based on the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix 4 to this Circular, as if the Acquisition and the Rights Issue was completed on 30 June 2021.

	Before the Acquisition <i>(Note 1)</i>	After the Acquisition and the Rights Issue <i>(Note 2)</i>
	<i>(RMB '000)</i>	
Total borrowings	14,017,537	17,769,785
Total assets	36,137,191	43,313,762
Net assets attributable to Unitholders (<i>Note 3</i>)	14,564,303	17,805,735
Total capitalisation (<i>Note 4</i>)	28,581,840	35,575,520

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Notes:

- (1) Based on the unaudited interim condensed consolidated balance sheet of Yuexiu REIT as at 30 June 2021.
- (2) Figures in this table are based on the Financing Structure set out in section 5 headed “Financing of the Acquisition” in this Circular.
- (3) Based on the unaudited consolidated pro forma statement of assets and liabilities of the Enlarged Group as at 30 June 2021 set out in Appendix 4 to this Circular, which has not reflected the latest Appraised Value for the Property as at 31 August 2021 (being RMB8,030 million). Had such revaluation been reflected, the total assets of the Enlarged Group would increase by RMB206 million (due to the increase in value of the Property by RMB206 million). After deducting the corresponding deferred tax of RMB67 million, the net asset attributable to Unitholders would increase by RMB139 million. This would result in the net assets attributable to Unitholders becoming RMB17,944 million.
- (4) Aggregate of total borrowings and net assets attributable to Unitholders.

10 MODIFICATION OF DEFERRED UNITS ARRANGEMENT

10.1 Background

As disclosed in the 2012 Circular, the balance of the Guangzhou IFC Consideration shall be satisfied by way of issuance of Deferred Units by Yuexiu REIT to Yuexiu Property (or YXP Nominee) on 31 December of each year, starting on 31 December 2016. Following the issuances of the Deferred Units between 31 December 2016 and 31 December 2020, as at the Latest Practicable Date, the remaining balance of the Guangzhou IFC Consideration is HKD1,597,605,976.

10.2 Adjustments to Deferred Units Issue Price

As stated in the announcement of Yuexiu REIT dated 31 December 2020, assuming no Deferred Units Adjustment Events eventuate and the Deferred Units Issue Price remained at HKD4.00, it was expected that a further 399,401,494 Deferred Units would be issued to Dragon Yield in satisfaction of the balance of the Guangzhou IFC Consideration, and that all further Deferred Units would be issued by 31 December 2023.

However, in light of the Rights Issue Subscription Price being at a discount greater than 10% of the average of the daily closing prices of the Units for the five consecutive Trading Days preceding the date of the Announcement being HKD3.67 (the “**Relevant Market Price**”), pursuant to the existing Indebtedness Agreement and as disclosed in Yuexiu REIT’s circular dated 30 June 2012, the Deferred Units Issue Price shall be adjusted by multiplying the Deferred Units Issue Price in force immediately before such issue by the following fraction (being the “**Deferred Units Issue Price Adjustment**”):

$$(A + B) / (A + C)$$

where:

“A” is the number of Units in issue immediately before the Announcement;

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”B” is the number of Units which the aggregate amount (if any) payable for the Units issued by way of rights and for the total number of Units comprised therein would purchase at such Relevant Market Price per Unit; and

”C” is the aggregate number of Units issued or, as the case may be, comprised in the issue.

Based on the Relevant Market Price, the number of Rights Issue Units and the Rights Issue Subscription Price, following the Deferred Units Issue Price Adjustment, the Deferred Units Issue Price will be reduced from HKD4.00 to HKD3.861652 per Unit. The Deferred Units Issue Price Adjustment will take effect upon Rights Issue Completion, which is currently expected to take place after the next issue date of the Deferred Units (being 31 December 2021). Accordingly, it is expected that the 2021 Deferred Units will be issued at HKD4.00 per Unit and the Deferred Units on 31 December 2022 and thereafter will be issued at HKD3.861652 per Unit.

Following the Deferred Units Issue Price Adjustment and the Deferred Units Arrangement Modification (as further described below), and assuming no other Deferred Units Adjustment Events eventuate, it is expected that the balance of the Guangzhou IFC Consideration will be fully settled by 31 December 2025 by the issue of a further 410,808,584 Deferred Units in aggregate.

For the illustrative effect on the unitholding structure of Yuexiu REIT after Rights Issue Completion and the issue of all the Deferred Units to settle the remaining balance of the Guangzhou IFC Consideration, please refer to section 5.2.20 ”Financing of the Acquisition — Rights Issue — Illustrative pro forma unitholding structure” in this Circular.

10.3 Deferred Units Arrangement Modification

Pursuant to the Indebtedness Agreement, the number of Deferred Units to be issued on 31 December each year to settle the abovementioned balance is determined by reference to the maximum number of Units that may be issued which, when aggregated with the Manager Fee Units that are expected to be issued during the period of 12 months after the date of issuance, will not trigger an obligation on the part of Yuexiu Property (and the parties acting in concert with it) to make a mandatory general offer under Rule 26 of the Takeovers Code for all Units not already owned or agreed to be acquired by them at the relevant time. The 2021 Deferred Units will be issued on 31 December 2021, after the EGM but before Rights Issue Completion, as shown in the indicative timetable set out in section headed ”Indicative Timetable” in this Circular.

If, as a result of the Rights Issue, the Yuexiu Concert Group’s voting rights in Yuexiu REIT exceed 50% (for example, in the unlikely scenario where only the Yue Xiu Entitlement Units and the Yuexiu Property Entitlement Units are taken up), the Yuexiu Concert Group may increase their unitholding in Yuexiu REIT without incurring any obligation under Rule 26 of the Takeovers Code to make a mandatory general offer for all Units not already owned or agreed to be acquired by them at the relevant time. If this were the case, the number of Deferred Units to be issued in the following 31 December would effectively be the number of Deferred Units (after adjustment to account for the Rights Issue) required to be issued to settle the remaining balance of the Guangzhou IFC Consideration as at the relevant time, thereby resulting in a substantial one-off dilution to existing

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Unitholders' interests. Even if the Yuexiu Concert Group's voting rights in Yuexiu REIT do not exceed 50% following the Rights Issue, as the Rights Issue increases the total number of Units in issue, the number of Deferred Units to be issued each year thereafter will be more than that in the previous years based on the existing formula under the Indebtedness Agreement.

As the Manager does not consider either outcome to be desirable to Yuexiu REIT and its Unitholders, and to avoid any acceleration of issuance of Deferred Units solely as a result of the Acquisition and the Rights Issue, it has entered into the Second Supplemental Indebtedness Agreement to modify the mechanism for the issuance of Deferred Units under the Indebtedness Agreement (by the addition of the underlined words) such that the number of Deferred Units to be issued each year shall be the lower of: (a) the maximum number of Deferred Units that may be issued to Yuexiu Property (or YXP Nominee) which, when aggregated with the Manager Fee Units that are expected to be issued during the period of 12 months after the relevant Deferred Units Issue Date, will not trigger an obligation on the part of Yuexiu Property (and parties acting in concert with it) to make a mandatory general offer under Rule 26 of the Takeovers Code for all Units not already owned or agreed to be acquired by them at the relevant time; and (b) 83,000,000 Units (subject to adjustment for consolidation and sub-division of Units) (such modification being the “**Deferred Units Arrangement Modification**”).

The reference to 83,000,000 Units in the Deferred Units Arrangement Modification was arrived at after arm's length negotiation between the Manager and Yuexiu Property in consultation with the Trustee by reference to the number of Deferred Units issued each year in the previous years. The Manager is of the view that the Deferred Units Arrangement Modification is in the best interests of Unitholders as it further mitigates the dilution caused by the issuance of Deferred Units by introducing an additional limitation on the number of Deferred Units which may be issued at any one time.

10.4 Second Supplemental Indebtedness Agreement

On 24 October 2021, Yuexiu Property (as assignor), the Trustee and the Manager entered into the Second Supplemental Indebtedness Agreement in relation to the Deferred Units Arrangement Modification. The Deferred Units Arrangement Modification, being a modification of a connected party transaction of Yuexiu REIT previously approved by independent Unitholders in 2012, shall be subject to Rights Issue Completion and the approval by way of an Ordinary Resolution passed by the Independent Unitholders at the EGM. As advised by Yuexiu Property, the Deferred Units Arrangement Modification is also subject to the approval of YXP Independent Shareholders at the Yuexiu Property GM.

11 CONTINUING CONNECTED PARTY TRANSACTIONS

11.1 Background

On 24 November 2020, Yuexiu REIT published a circular (the “**CCPT Waiver Circular**”) in relation to, among other things, extension of existing continuing connected party transaction waiver from strict compliance with the requirements of Chapter 8 of the REIT Code (such waiver being the “**2020 Extended Waiver**”). However, on 4 December 2020 and before the EGM was held to approve

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the 2020 Extended Waiver, the REIT Code was amended to, among other things, broadly align the requirements applicable to connected party transactions of REITs with the requirements for companies listed on the Stock Exchange. As a result of such amendments, the 2020 Extended Waiver was no longer required. As stated in the announcement of Yuexiu REIT dated 9 December 2020, the New Continuing Connected Party Transactions (as defined in the CCPT Waiver Circular) will comply with requirements under the REIT Code (as revised) (including disclosure in annual reports of Yuexiu REIT, auditors' review procedures and annual review by the INEDs). The 2020 Extended Waiver shall continue to apply until its expiry or until otherwise modified or revoked. Accordingly, the New Continuing Connected Party Transactions (as defined in the CCPT Waiver Circular) will also remain subject to the annual caps for the years ending 31 December 2021, 2022 and 2023 as set out in the CCPT Waiver Circular.

Notwithstanding this, having regard to the additional continuing connected party transactions to be assumed and entered into or renewed from time to time by Yuexiu REIT as a result of Acquisition Completion, on 24 October 2021, the Manager entered into the Yuexiu Leasing Framework Agreement, the Yuexiu Tenancy Services Framework Agreement and the Yuexiu Property Management Framework Agreement (the "**Yuexiu Framework Agreements**") which set out the framework terms governing respectively the Connected Leasing Transactions, Connected TSAs and Connected PMAs (collectively, the "**Yuexiu Continuing CPTs**"). Each of the Yuexiu Framework Agreements will be for a term of two years from 1 January 2022 to 31 December 2023, and will be, together with the Yuexiu Continuing CPTs contemplated thereunder, regulated with reference to Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). For the avoidance of doubt, the existing annual caps for the year ending 31 December 2021 will not be exceeded and will continue to apply even if Acquisition Completion takes place before 31 December 2021 and the new Yuexiu Continuing CPTs pertaining to the Property are assumed or entered into by Yuexiu REIT upon Acquisition Completion. Accordingly, if the EGM Resolutions in relation to the Matters Requiring Approval are passed at the EGM and the Acquisition completes on or before 31 December 2021 (as it is currently contemplated), the 2020 Extended Waiver will be revoked at the commencement date of the Yuexiu Framework Agreements (being 1 January 2022) and the annual caps thereunder will be replaced by the Revised Annual Caps for the corresponding transactions set out in the Yuexiu Framework Agreements.

11.2 Non-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group

Yuexiu REIT (through the Manager) entered into the following continuing connected party transactions which are subject to the reporting, announcement, and, in the case of the Connected Leasing Transactions, the circular and Independent Unitholders' approval requirements under the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code):

11.2.1 Yuexiu Leasing Framework Agreement

As part of Yuexiu REIT's ordinary and usual course of business, the Yuexiu REIT Group is either already a party to, or may from time to time enter into or renew leasing and licensing transactions with the Yuexiu Connected Persons Group in respect of the Enlarged Portfolio owned by Yuexiu REIT ("**Connected Leasing Transactions**", which for the avoidance of doubt, include those pertaining to the naming rights of certain properties owned by Yuexiu REIT).

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In addition to the Connected Leasing Transactions in respect of the Existing Properties, the Connected Leases, the Carpark Master Lease Agreement and the Naming Rights Agreement entered or to be entered into by members of the Target Group will, upon Acquisition Completion, be assumed by Yuexiu REIT, and the Project Companies which are direct owners of the Property are either parties to, or may from time to time enter into or renew Connected Leasing Transactions with the Connected Tenants and other members of the Yuexiu Connected Persons Group in respect of the Property.

As the transactions contemplated under the Connected Leasing Transactions (including the Connected Leases, the Carpark Master Lease Agreement and the Naming Rights Agreement upon Acquisition Completion) constitute continuing connected party transactions of Yuexiu REIT, the Manager entered into the Yuexiu Leasing Framework Agreement with GZYY on 24 October 2021 subject to the passing of the EGM Resolutions in relation to the Matters Requiring Approval. The subsidiaries of Yuexiu REIT (as landlords) will enter into or renew individual leases with the Connected Tenants and other members of the Yuexiu Connected Persons Group from time to time consistent with the Yuexiu Leasing Framework Agreement.

The principal terms of the Yuexiu Leasing Framework Agreement are set out below:

11.2.1.1 Term and termination

The Yuexiu Leasing Framework Agreement will be for a term of two years from 1 January 2022 to 31 December 2023 and is automatically renewable for a successive period of two years thereafter (or for any other period which may be shorter or longer than two years as the parties may agree otherwise, provided that such other period will not be longer than three years), subject to the compliance with the relevant requirements of the REIT Code and the Listing Rules. The Yuexiu Leasing Framework Agreement is conditional on the passing of the EGM Resolutions to approve the Matters Requiring Approval, failing which the Yuexiu Leasing Framework Agreement shall automatically terminate pursuant to its terms. In this case, the Yuexiu Continuing CPTs will continue to be subject to the annual caps for the years ending 31 December 2021, 2022 and 2023 under the 2020 Extended Waiver, and if any of such annual caps is exceeded, or if there is any material change to the terms of such transactions, Yuexiu REIT shall comply with all applicable requirements (including the announcement and Unitholders' approval requirements) under the REIT Code and Chapter 14A of the Listing Rules (as modified pursuant to the REIT Code).

Upon renewal of the Yuexiu Leasing Framework Agreement, Yuexiu REIT will re-comply with the applicable disclosure and/or Independent Unitholders' approval requirements and other requirements under the REIT Code and the Listing Rules. In the event that the term of the annual caps, to which the Connected Leasing Transactions entered into in accordance with the Yuexiu Leasing Framework Agreement are subject, expires prior to the end of the term of any Connected Leasing Transaction and is not renewed, Yuexiu REIT will comply in full with the applicable requirements under the REIT Code and the Listing Rules in respect of such Connected Leasing Transaction for the excessive term.

The Yuexiu Leasing Framework Agreement will be terminated where: (a) either party gives the other party not less than three months' prior written notice, provided that all the then-subexisting Connected Leasing Transactions have been terminated; (b) the Units cease to be listed on the Stock Exchange (except for temporary suspension of trading); (c) the Manager ceases to be a subsidiary of

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GZYG and GZYX ceases to be an associate of a Substantial Unitholder of Yuexiu REIT (being Dragon Yield); (d) the transactions under all the then-subsisting Connected Leasing Transactions cease to be connected party transactions and/or continuing connected party transactions as defined under the REIT Code and the Listing Rules (modified as appropriate pursuant to the REIT Code); (e) a party to the Yuexiu Leasing Framework Agreement ceases to carry on business; or (f) a party to the Yuexiu Leasing Framework Agreement commits a material breach of any material obligation thereunder and in the case of a breach that is capable of remedy, fails to remedy that breach within 30 days of receipt of a written notice from the other party stating the particulars of the breach and requiring it to be remedied.

11.2.1.2 Pricing policy

Pursuant to the Yuexiu Leasing Framework Agreement, each party thereto agrees that, and agrees to procure the relevant contracting parties to the Connected Leasing Transactions to ensure that, each Connected Leasing Transaction shall be entered into or otherwise conducted: (a) in writing; (b) on an arm's length basis and in the ordinary and usual course of business of Yuexiu REIT; (c) on normal commercial terms or better (as defined under Rule 14A.06(26) of the Listing Rules) that are fair and reasonable and in the best interests of the Unitholders; (d) at a rent that is determined by reference to the then current open market rent at the commencement date of the term of the relevant Connected Leasing Transaction which would be paid by a willing tenant to a willing landlord for similar premises in a similar development; and (e) in compliance with the terms of the Yuexiu Leasing Framework Agreement and all applicable provisions of the REIT Code, the Listing Rules and the Trust Deed.

11.2.1.3 Revised Annual Caps

The Revised Annual Caps in respect of the Connected Leasing Transactions entered into in accordance with the Yuexiu Leasing Framework Agreement are set out in the below table:

	Existing Annual Caps (as stated in the CCPT Waiver Circular)			Revised Annual Caps	
	<i>RMB '000</i>			<i>RMB '000</i>	
	For the year ending 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2022	For the year ending 31 December 2023
	Connected Leasing Transactions	394,186	425,779	468,441	583,994

The proposed caps in respect of the Connected Leasing Transactions were determined on the following basis:

- (a) taking into account the historical aggregate amounts of rental income paid and payable by the Yuexiu Connected Tenants to the respective Property Companies under previous Connected Leasing Transactions entered into with the respective Property Companies, being RMB249,799,000, RMB277,147,000, RMB247,583,000 and RMB122,425,000 for the years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2021 respectively;

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- (b) taking into account the actual rent payable to the Project Companies under the Connected Leases which will be subsisting for each of the years ending 31 December 2022 and 2023 on the assumption of Acquisition Completion. Where a Connected Lease expires prior to 31 December 2023, the Manager has assumed that the expiring lease will be renewed at a new rental rate that is 6% higher than the last rental rate for such lease;
- (c) applying a buffer of 10% for the total actual and assumed rent (as calculated on the abovementioned basis) for each of the two years ending 31 December 2023. Such buffer is intended to cater for contingencies such as: (i) changes in rental or other market conditions; and (ii) flexibility required to facilitate any additional Connected Leasing Transactions to be entered into by Yuexiu REIT during the relevant financial periods; and
- (d) taking into account the annual caps in respect of the Connected Leasing Transactions (as defined in the CCPT Waiver Circular) for the years ending 31 December 2022 and 2023, as stated in the CCPT Waiver Circular.

In respect of (b) above, the Manager has made the assumption that the rental increment for lease renewals will be 6% by reference to: (i) the compound annual growth rate of the gross domestic product of Guangzhou between 2016 and 2020, which was 6%; and (ii) the range of annual rental increment of 3.2% to 4.4% as generally expected for comparable properties in the Core Area of ZJNT based on the Market Consultant's Report appended to this Circular. As 6% is also within the range of rental increment which is expected for the independent third party leases in respect of the Property, the Manager considers, and the Independent Financial Adviser concurs, that the assumed rental increment for Connected Leases set out in (b) above to be fair and reasonable.

11.2.1.4 Reasons for, and benefits of the Yuexiu Leasing Framework Agreement

Given the sizeable and established operations of the members of the Yuexiu Connected Persons Group, the leasing of the Existing Properties to members of the Yuexiu Connected Persons Group has provided a stable source of rental income to Yuexiu REIT. The Manager considers that the leasing of the Property after Acquisition Completion to members of the Yuexiu Connected Persons Group would similarly provide Yuexiu REIT with a group of reliable tenants and a reliable source of rental income on normal commercial terms. The Manager takes the view that the leasing of the Enlarged Portfolio to members of the Yuexiu Connected Persons Group would be in line with Yuexiu REIT's key investment objective to provide Unitholders with stable distributions through investing in income producing real estate.

In addition, the Manager considers that the Yuexiu Leasing Framework Agreement can set out a framework and streamline the leasing processes in respect of the Enlarged Portfolio and is therefore conducive to the continuous growth and operations of, and will generate recurrent rental income for, Yuexiu REIT. Further, the Manager is of the view that the Yuexiu Leasing Framework Agreement can provide a basis on which Yuexiu REIT will comply with the relevant reporting, announcement and annual review requirements (to the extent applicable) in compliance with the REIT Code and the Listing Rules, thereby reducing the ongoing administrative and compliance costs upon Yuexiu REIT in respect of the Connected Leasing Transactions which are entered into in its ordinary and usual course of business. Accordingly, the Manager considers that the Yuexiu Leasing Framework Agreement is beneficial to Yuexiu REIT and its Unitholders as a whole.

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11.2.1.5 Application of the REIT Code and the Listing Rules

GZYY, being the holding company of Yue Xiu and the ultimate holding company of Yuexiu Property and indirectly owns as to approximately 39.8% of the issued shares of the latter, is also an associate of the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield) and therefore a connected person of Yuexiu REIT. Accordingly, the transactions under the Yuexiu Leasing Framework Agreement constitutes continuing connected party transactions of Yuexiu REIT pursuant to the REIT Code. As the highest applicable percentage ratio for the transactions contemplated under the Yuexiu Leasing Framework Agreement is, on an annual basis, expected to exceed 5%, these transactions will be subject to the reporting, annual review, announcement, circular and Independent Unitholders' approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

11.2.2 Yuexiu Tenancy Services Framework Agreement

The tenancy services agreements which have been or will be entered into or renewed with members of the Yuexiu Connected Persons Group from time to time include the tenancy services agreements in respect of the Existing Properties and, upon Acquisition Completion, the Tenancy Services Agreement in respect of the Property (collectively, the "**Connected TSAs**"). As the transactions contemplated under the Connected TSAs constitute continuing connected party transactions of Yuexiu REIT, the Manager entered into the Yuexiu Tenancy Services Framework Agreement with Yuexiu Property on 24 October 2021 subject to the passing of the EGM Resolutions in relation to the Matters Requiring Approval.

The principal terms of the Yuexiu Tenancy Services Framework Agreement are set out below.

11.2.2.1 Term and termination

The Yuexiu Tenancy Services Framework Agreement will be for a term of two years from 1 January 2022 to 31 December 2023 and is automatically renewable for a successive period of two years thereafter (or for any other period which may be shorter or longer than two years as the parties may agree otherwise, provided that such other period will not be longer than three years), subject to the compliance with the relevant requirements of the REIT Code and the Listing Rules. The Yuexiu Tenancy Services Framework Agreement is conditional on the passing of the EGM Resolutions to approve the Matters Requiring Approval, failing which the Yuexiu Tenancy Services Framework Agreement shall automatically terminate pursuant to its terms. In this case, the Connected TSAs will continue to be subject to the annual caps for the years ending 31 December 2021, 2022 and 2023 under the 2020 Extended Waiver, and if any of such annual caps is exceeded, or if there is any material change to the terms of such transactions, Yuexiu REIT shall comply with all applicable requirements (including the announcement and Unitholders' approval requirements) under the REIT Code and Chapter 14A of the Listing Rules (as modified pursuant to the REIT Code).

Upon renewal of the Yuexiu Tenancy Services Framework Agreement, Yuexiu REIT will re-comply with the applicable disclosure and/or Independent Unitholders' approval requirements and other requirements under the REIT Code and the Listing Rules. In the event that the term of the annual caps to which the Connected TSAs entered into in accordance with the Yuexiu Tenancy Services Framework Agreement are subject expires prior to the end of the term of any Connected TSA and is not renewed, Yuexiu REIT will comply in full with the applicable requirements under the REIT Code and the Listing Rules in respect of such Connected TSA for the excessive term.

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The Yuexiu Tenancy Services Framework Agreement will be terminated where: (a) either party gives the other party not less than three months' prior written notice, provided that all the then-subsisting Connected Leasing Transactions have been terminated; (b) the Units cease to be listed on the Stock Exchange (except for temporary suspension of trading); (c) the Manager ceases to be a subsidiary of GZYG and GZYG ceases to be an associate of a Substantial Unitholder of Yuexiu REIT (being Dragon Yield); (d) the transactions under all the then-subsisting Connected TSAs cease to be connected party transactions and/or continuing connected party transactions as defined under the REIT Code and the Listing Rules (modified as appropriate pursuant to the REIT Code); (e) a party to the Yuexiu Tenancy Services Framework Agreement ceases to carry on business; or (f) a party to the Yuexiu Tenancy Services Framework Agreement commits a material breach of any material obligation thereunder and in the case of a breach that is capable of remedy, fails to remedy that breach within 30 days of receipt of a written notice from the other party stating the particulars of the breach and requiring it to be remedied.

11.2.2.2 Pricing policy

Pursuant to the Yuexiu Tenancy Services Framework Agreement, each party thereto agrees that, and agrees to procure the relevant contracting parties to the Connected TSAs to ensure that, each Connected TSA shall be entered into or otherwise conducted: (a) in writing; (b) on an arm's length basis and in the ordinary and usual course of business of Yuexiu REIT; (c) on normal commercial terms or better (as defined under Rule 14A.06(26) of the Listing Rules) that are fair and reasonable and in the best interests of the Unitholders; (d) at the prevailing market rate generally offered by independent third parties in respect of similar services; and (e) in compliance with the terms of the Yuexiu Tenancy Services Framework Agreement and all applicable provisions of the REIT Code, the Listing Rules and the Trust Deed.

11.2.2.3 Revised Annual Caps

The Revised Annual Caps in respect of the Connected TSAs entered into in accordance with the Yuexiu Tenancy Services Framework Agreement are set out in the below table:

	Existing Annual Caps (as stated in the CCPT Waiver Circular)			Revised Annual Caps	
	RMB '000			RMB '000	
	For the year ending 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2022	For the year ending 31 December 2023
Connected TSAs	59,824	65,806	72,386	78,945	86,313

The Revised Annual Caps for the years ending 31 December 2022 and 2023 in relation to the Connected TSAs were determined on the following basis:

- (a) taking into account the historical aggregate amounts of service fees paid and payable by the Property Companies under previous Connected TSAs, being RMB47,002,000, RMB47,456,000, RMB43,973,000 and RMB21,876,000 for the years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2021 respectively;

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- (b) annualising the amount of service fees paid and payable for the six months ended 30 June 2021 by: (i) Yuexiu REIT for the relevant Connected TSAs of the Property Companies; and (ii) existing tenants of the Property as at the Latest Practicable Date to the respective Project Companies under the Tenancy Services Agreement which will be assumed by Yuexiu REIT upon Acquisition Completion;
- (c) annualising the amount of rental income paid and payable for the six months ended 30 June 2021 by: (i) the Yuexiu Connected Tenants to the respective Property Companies under the Connected Leasing Transactions; and (ii) the Connected Tenants to the respective Project Companies under the Connected Leases which are subsisting as at the Latest Practicable Date and which will be assumed by Yuexiu REIT upon Acquisition Completion;
- (d) applying an increment of 6% to the relevant amount resulting from paragraph (a) above, as assumed approximate service fees over the year, with some minor rounding up of figures; and
- (e) applying a buffer of 10% to the amount resulting from paragraph (b) above, as a buffer for contingencies such as: (1) changes in rental or other market conditions; and (2) increase in tenancy services transaction activities with respect to the relevant properties during the relevant financial periods.

The above Revised Annual Caps in relation to the Connected TSAs have been determined after assuming:

- (a) the leasing agents' fees for all the Enlarged Portfolio, with the exception of White Horse Building Units, Shanghai Yue Xiu Tower and Guangzhou IFC, being 4% of the annual gross rental attributable to such properties; and
- (b) leasing agents' fees for White Horse Building Units, Shanghai Yue Xiu Tower and the office and retail portions of Guangzhou IFC and the Project Companies, being 3% of the annual gross rental attributable to such properties.

The Manager's use of an assumed annual rental growth rate of 6% for determining the proposed caps for the Connected TSAs for the Project Companies is based on expected inflationary increases in tenancy works expenses and the historical growth of transaction amounts.

11.2.2.4 Reasons for, and benefits of, the Yuexiu Tenancy Services Framework Agreement

Over the course of the operation of Yuexiu REIT, the Property Companies have from time to time entered into or renewed tenancy services agreements with members of the Yuexiu Connected Persons Group to provide tenancy services to tenants of the Enlarged Portfolio. The Manager believes that these members of the Yuexiu Connected Persons Group (including the Property Tenancy Services Company after Acquisition Completion) are well-positioned to provide tenancy services to tenants given the established business relationship with the Property Companies and understanding of the operations, standards and specific needs in respect of the members of the Property Companies.

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Following Acquisition Completion, assuming that various transactions contemplated under the Connected TSAs will continue to be conducted with members of the Yuexiu Connected Persons Group, more continuing connected party transactions will arise. The Manager considers that the Yuexiu Tenancy Services Framework Agreement can provide a basis on which Yuexiu REIT will comply with the relevant reporting, announcement and annual review requirements (to the extent applicable) in compliance with the REIT Code and the Listing Rules and thereby enhances administrative efficiency and saves costs for Yuexiu REIT in complying with such requirements. Accordingly, it is expected that the arrangements under the Yuexiu Tenancy Services Framework Agreement would be cost-efficient and in the interests of Yuexiu REIT and its Unitholders.

11.2.5 Application of the REIT Code and the Listing Rules

Yuexiu Property, which wholly-owns the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield), is an associate of the Manager and Dragon Yield and hence a connected person of Yuexiu REIT. Accordingly, the transactions under the Yuexiu Tenancy Services Framework Agreement therefore constitutes continuing connected party transactions of Yuexiu REIT pursuant to the REIT Code. As the highest applicable percentage ratio for the transactions contemplated under the Yuexiu Tenancy Services Framework Agreement is, on an annual basis, expected to exceed 0.1% but be less than 5%, these transactions will be exempt from the circular (including the opinion and recommendations from an independent financial adviser) and Independent Unitholders' approval requirements, but will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

11.3 Fully-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group

Yuexiu REIT Group entered into the following continuing connected party transactions which are fully exempt from the reporting, annual review, announcement and Independent Unitholders' approval requirements under the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code):

11.3.1 Yuexiu Property Management Framework Agreement

The property management agreements which have been or will be entered into or renewed with the Yuexiu Connected Persons Group from time to time include the property management agreements in respect of the Existing Properties and, upon Acquisition Completion, the Property Management Agreement entered into between the Project Companies and the Property Manager in respect of the Property (collectively, the "**Connected PMAs**"). As the transactions contemplated under the Connected PMAs constitute continuing connected party transactions of Yuexiu REIT, the Manager entered into the Yuexiu Property Management Framework Agreement with GZYX on 24 October 2021 subject to the passing of the EGM Resolutions in relation to the Matters Requiring Approval.

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11.3.1.1 Term and termination

The Yuexiu Property Management Framework Agreement commences from 1 January 2022 and expires on 31 December 2023 and is automatically renewable for a successive period of two years thereafter (or for any other period which may be shorter or longer than two years as the parties may agree otherwise, provided that such other period will not be longer than three years), subject to the compliance with the relevant requirements of the REIT Code and the Listing Rules. The Yuexiu Property Management Framework Agreement is conditional on the passing of the EGM Resolutions to approve the Matters Requiring Approval, failing which the Yuexiu Property Management Framework Agreement shall automatically terminate pursuant to its terms. In this case, the Connected PMAs will continue to be subject to the annual caps for the years ending 31 December 2021, 2022 and 2023 under the 2020 Extended Waiver, and if any of such annual caps is exceeded, or if there is any material change to the terms of such transactions, Yuexiu REIT shall comply with all applicable requirements (including the announcement and Unitholders' approval requirements) under the REIT Code and Chapter 14A of the Listing Rules (as modified pursuant to the REIT Code).

Upon renewal of the Yuexiu Property Management Framework Agreement, Yuexiu REIT will re-comply with the applicable disclosure and/or Independent Unitholders' approval requirements and other requirements under the REIT Code and the Listing Rules. In the event that the term of the annual caps to which the Connected PMAs entered into in accordance with the Yuexiu Property Management Framework Agreement are subject expires prior to the end of the term of any Connected PMA and is not renewed, Yuexiu REIT will comply in full with the applicable requirements under the REIT Code and the Listing Rules in respect of such Connected PMA for the additional term.

The Yuexiu Property Management Framework Agreement will be terminated where: (a) either party gives the other party not less than three months' prior written notice, provided that all the then-subsisting Connected PMAs have been terminated; (b) the Units cease to be listed on the Stock Exchange (except for temporary suspension of trading); (c) the Manager ceases to be a subsidiary of GZYG and GZYG ceases to be an associate of a Substantial Unitholder of Yuexiu REIT (being Dragon Yield); (d) the transactions under all the then-subsisting Connected PMAs cease to be connected party transactions and/or continuing connected party transactions as defined under the REIT Code and the Listing Rules (modified as appropriate pursuant to the REIT Code); (e) a party to the Yuexiu Property Management Framework Agreement ceases to carry on business; or (f) a party to the Yuexiu Property Management Framework Agreement commits a material breach of any material obligation thereunder and in the case of a breach that is capable of remedy, fails to remedy that breach within 30 days of receipt of a written notice from the other party stating the particulars of the breach and requiring it to be remedied.

11.3.1.2 Pricing policy

Pursuant to the Yuexiu Property Management Framework Agreement, each party thereto agrees that, and agrees to procure the relevant contracting parties to the Connected PMAs to ensure that, each Connected PMA shall be entered into or otherwise conducted: (a) in writing; (b) on an arm's length basis and in the ordinary and usual course of business of Yuexiu REIT; (c) on normal commercial terms or better (as defined under Rule 14A.06 (26) of the Listing Rules) that are fair and reasonable and in the best interests of the Unitholders; and (d) in compliance with the terms of the Yuexiu Property Management Framework Agreement and all applicable provisions of the REIT Code, the Listing Rules and the Trust Deed.

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11.3.1.3 Annual Caps

As the property management fees payable under the Connected PMAs will be paid by the relevant tenants, rather than Yuexiu REIT or the Property Companies or the Project Companies, the annual caps in respect of such property management fees for the years ending 31 December 2022 and 2023 will be nil and nil, respectively.

11.3.1.4 Application of the REIT Code and the Listing Rules

GZYG, being the holding company of Yue Xiu and the ultimate holding company of Yuexiu Property and indirectly owns as to approximately 39.8% of the issued shares of the latter, is also an associate of the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield) and therefore a connected person of Yuexiu REIT. Accordingly, the transactions under the Yuexiu Tenancy Services Framework Agreement therefore constitutes continuing connected party transactions of Yuexiu REIT pursuant to the REIT Code.

As the property management fees payable under the Connected PMAs will be paid by the relevant tenants and no property management fees will be paid by Yuexiu REIT or the Property Companies or the Project Companies, the transactions contemplated under the Yuexiu Property Management Framework Agreement will be within the *de minimis* threshold under Rule 14A.76(1) of the Listing Rules (modified as appropriate pursuant to the REIT Code) and be fully exempt from the reporting, annual review, announcement and Independent Unitholders' approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

11.4 Internal controls

The Manager has established an internal control system to ensure that connected party transactions between the Yuexiu REIT Group and the Yuexiu Connected Persons Group are monitored and that such transactions are undertaken on terms in compliance with the REIT Code. As required by the REIT Code, all connected party transactions must, among other things, be carried out at arm's length, on normal commercial terms and in the interests of Unitholders. The following internal control measures are in place to ensure that such transactions satisfy the foregoing criteria:

- (a) The Manager maintains a register to record all connected party transactions which are entered into by members of the Yuexiu REIT Group and where applicable, the bases, including quotations from independent third parties and/or independent valuations obtained to support such bases, on which they are entered into. The Manager will review the quotations to ensure reasonableness having regard to the scale, scope and quality of services required, and the reputation, experience and track record of performance of the service providers.
- (b) The register of connected party transactions is reviewed by the Manager on a quarterly basis to ensure the relevant annual caps are not exceeded.
- (c) As a general rule, the Manager will demonstrate to the Audit Committee of the Board that all connected party transactions are carried out at arm's length, on normal commercial terms and in the interests of Unitholders. In particular, the Audit Committee is provided with a summary of the connected party transactions including their transaction amounts on a half-yearly basis.

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- (d) The internal auditor of the Manager will review all connected party transactions entered into by the Yuexiu REIT Group on an annual basis. The Manager will incorporate into its internal audit plan a review of all connected party transactions entered into by the Yuexiu REIT Group.

11.5 Review and reporting

The Yuexiu Continuing CPTs will be subject to the following review and reporting processes pursuant to paragraph 8.7A of the REIT Code and Rules 14A.55 to 14A.59, Rule 14A.71 and Rule 14A.72 of the Listing Rules (as modified under the REIT Code):

11.5.1 Annual review by the INEDs

The INEDs shall review the Yuexiu Continuing CPTs annually and confirm in Yuexiu REIT's annual report for the relevant financial period that each of those transactions has been entered into: (a) in the ordinary and usual course of business of the Yuexiu REIT Group; (b) on normal commercial terms or better; and (c) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of Yuexiu REIT and the Unitholders as a whole.

11.5.2 Annual review by the auditors

In respect of each relevant financial year, the Manager shall engage the auditors of Yuexiu REIT to report on the Yuexiu Continuing CPTs annually. The auditors of Yuexiu REIT must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that any such transactions: (a) have not been approved by the Board; (b) were not, in all material respects, in accordance with the pricing policies of the Yuexiu REIT Group; (c) were not entered into, in all material respects, in accordance with the relevant agreement governing it; and (d) have exceeded the applicable annual cap. The Manager shall provide a copy of such auditors' letter to the SFC at least 10 Business Days before the bulk printing of the annual report of Yuexiu REIT.

11.5.3 Auditors' access to records

The Manager shall allow, and ensure that the counterparties to the Yuexiu Continuing CPTs allow, the auditors of Yuexiu REIT sufficient access to their records for the purpose of reporting on such transactions.

11.5.4 Notification to the SFC

The Manager shall promptly notify the SFC and publish an announcement if the INEDs and/or the auditors of Yuexiu REIT cannot confirm the matters set out in sections 11.5.1 headed "Continuing Connected Party Transactions — Review and reporting — Annual review by the INEDs" and/or 11.5.2 headed "Continuing Connected Party Transactions — Review and reporting — Annual review by the auditors", respectively above. The SFC may require the Manager to re-comply with the announcement and Unitholders' approval requirements and may impose additional conditions.

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11.5.5 Annual reports

A brief summary of the Yuexiu Continuing CPTs containing the information specified in Rules 14A.71 and 14A.72 of the Listing Rules shall be included in Yuexiu REIT's annual reports.

11.6 Views relating to the CCPT Matters Requiring Approval

Pursuant to Rule 14A.40 of the Listing Rules, the Independent Board Committee (comprising all of the INEDs) has been established by the Board to advise the Independent Unitholders on the matters relating to the Yuexiu Leasing Framework Agreement. Pursuant to Rule 14A.44 of the Listing Rules, the Independent Financial Adviser has been appointed to make recommendations to the Independent Board Committee, the Independent Unitholders and the Trustee on the matters relating to the Yuexiu Leasing Framework Agreement under Rule 14A.45 of the Listing Rules.

In respect of the Connected TSAs under the Yuexiu Tenancy Services Framework Agreement and the Connected PMAs under the Yuexiu Property Management Framework Agreement and the annual caps thereof for the two years ending 31 December 2022 and 2023 which do not require Unitholders' approval, the Board is of the view that: (i) the terms of each such transactions are fair and reasonable; (ii) each such transaction is on normal commercial terms or better and in the ordinary and usual course of business of the Yuexiu REIT Group; and (iii) each such transaction is in the interests of Yuexiu REIT and the Unitholders as a whole, is consistent with Yuexiu REIT's investment objectives and strategy, and in compliance with the REIT Code and the Trust Deed.

11.6.1 Independent Financial Adviser

The Independent Financial Adviser has confirmed that it is of the view that:

- (a) the terms of the Yuexiu Leasing Framework Agreement and the basis for the Yuexiu Continuing CPTs contemplated thereunder (including the proposed Revised Annual Caps and the basis of arriving at the same) are fair and reasonable as far as the Independent Unitholders are concerned and are in the interests of Yuexiu REIT, the Independent Unitholders, as well as the Unitholders as a whole; and
- (b) the Yuexiu Continuing CPTs contemplated under the Yuexiu Leasing Framework Agreement: (i) are and will be conducted in the ordinary and usual course of business of Yuexiu REIT and consistent with the investment objectives and strategy of Yuexiu REIT and in compliance with the REIT Code and the Trust Deed; (ii) are and will be conducted on terms which are and will be at arm's length and on normal commercial terms; and (iii) are and will be fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders, as well as the Unitholders as a whole.

Your attention is drawn to the Letter from the Independent Financial Adviser appended to this Circular which contains the Independent Financial Adviser's opinion and recommendation (including the reasons for its opinion and the factors that it has taken into consideration in forming its opinion).

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11.6.2 Independent Board Committee

The Independent Board Committee, having taken into account the opinion and recommendation of the Independent Financial Adviser, is of the view that:

- (a) the terms of the Yuexiu Leasing Framework Agreement and the basis for the Yuexiu Continuing CPTs contemplated thereunder (including the proposed Revised Annual Caps and the basis of arriving at the same) are fair and reasonable as far as the Independent Unitholders are concerned and are in the interests of Yuexiu REIT, the Independent Unitholders, as well as the Unitholders as a whole; and
- (b) the Yuexiu Continuing CPTs contemplated under the Yuexiu Leasing Framework Agreement: (i) are and will be conducted in the ordinary and usual course of business of Yuexiu REIT and consistent with the investment objectives and strategy of Yuexiu REIT and in compliance with the REIT Code and the Trust Deed; (ii) are and will be conducted on terms which are and will be at arm's length and on normal commercial terms; and (iii) are and will be fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders, as well as the Unitholders as a whole.

Accordingly, the Independent Board Committee recommends that the Independent Unitholders vote at the EGM in favour of Ordinary Resolution No. 2 to approve the Yuexiu Leasing Framework Agreement and the proposed Revised Annual Caps applicable thereto. Should such approval be obtained at the EGM, the Revised Annual Caps applicable to the Yuexiu Framework Agreements shall replace the existing annual caps for the Yuexiu Continuing CPTs under the 2020 Extended Waiver. Conversely, if such approval is not obtained at the EGM, the Yuexiu Framework Agreements shall automatically terminate, and the 2020 Extended Waiver and the existing annual caps thereunder will continue to apply until 31 December 2023. In this case, the Manager will re-comply with the applicable disclosure and/or independent Unitholders' approval requirements and other requirements under the REIT Code and the Listing Rules if any of the existing annual caps for any given year is exceeded as a result of the new Yuexiu Continuing CPTs being assumed or entered into from time to time after Acquisition Completion.

Your attention is drawn to the Letter from the Independent Board Committee appended to this Circular which contains the Independent Board Committee's opinion and recommendation.

11.6.3 Board

The Board considers that the Yuexiu Continuing CPTs contemplated under the Yuexiu Leasing Framework Agreement form an integral part of the normal business and operations of Yuexiu REIT, and having taken account of the duties of the Manager under the Trust Deed and the REIT Code, is of the view that:

- (a) the terms of the Yuexiu Leasing Framework Agreement and the basis for the Yuexiu Continuing CPTs contemplated thereunder (including the proposed Revised Annual Caps and the basis of arriving at the same) are fair and reasonable as far as the Independent Unitholders are concerned and are in the interests of Yuexiu REIT, the Independent Unitholders, as well as the Unitholders as a whole; and

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- (b) the Yuexiu Continuing CPTs contemplated under the Yuexiu Leasing Framework Agreement: (i) are and will be conducted in the ordinary and usual course of business of Yuexiu REIT and consistent with the investment objectives and strategy of Yuexiu REIT and in compliance with the REIT Code and the Trust Deed; (ii) are and will be conducted on terms which are and will be at arm's length and on normal commercial terms; and (iii) are and will be fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders, as well as the Unitholders as a whole.

Accordingly, the Board recommends that the Independent Unitholders vote at the EGM in favour of Ordinary Resolution No. 2 to approve the Yuexiu Leasing Framework Agreement and the proposed Revised Annual Caps applicable thereto.

11.6.4 Views relating to the CCPT Matters Requiring Approval — Trustee

Based and in sole reliance on: (1) the opinion of the Board in this letter to the Unitholders and the information and assurances provided by the Manager; (2) the Letter from the Independent Financial Adviser; and (3) the Letter from the Independent Board Committee, in each case, as set out in this Circular, the Trustee, having taken into account its duties in the Trust Deed and the REIT Code is of the view that:

- (a) the terms of the Yuexiu Leasing Framework Agreement and the basis for the Yuexiu Continuing CPTs contemplated thereunder (including the proposed Revised Annual Caps and the basis of arriving at the same) are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders, as well as the Unitholders as a whole; and
- (b) the Yuexiu Continuing CPTs contemplated under the Yuexiu Leasing Framework Agreement are: (i) consistent with the investment objectives and strategy of Yuexiu REIT and in compliance with the REIT Code and the Trust Deed; (ii) on normal commercial terms; and (iii) fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders, as well as the Unitholders as a whole.

The Trustee has not made any assessment of the merits or impact of the Yuexiu Leasing Framework Agreement, the Yuexiu Continuing CPTs contemplated under the Yuexiu Leasing Framework Agreement and the proposed Revised Annual Caps applicable thereto, other than for the purposes of fulfilling its duties in the Trust Deed and the REIT Code. The Trustee's view is not to be taken as a recommendation or representation by the Trustee of the merits or impact of the terms of the Yuexiu Leasing Framework Agreement, the Yuexiu Continuing CPTs contemplated under the Yuexiu Leasing Framework Agreement and the proposed Revised Annual Caps applicable thereto. Accordingly, the Trustee urges all Unitholders, including those who are in any doubt as to the merits or impact of the terms of the Yuexiu Leasing Framework Agreement, the Yuexiu Continuing CPTs contemplated under the Yuexiu Leasing Framework Agreement and the proposed Revised Annual Caps applicable thereto, to seek their own financial or other professional advice.

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12 REGULATORY IMPLICATIONS

12.1 Connected and major transaction

As at the Latest Practicable Date, Yuexiu Property wholly-owns the Vendor, the Manager and Dragon Yield (the last of these being a Substantial Unitholder of Yuexiu REIT which holds approximately 35.1% of the issued Units). Therefore, each of Yuexiu Property and the Vendor is an associate of the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield) and a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). Accordingly, the Acquisition constitutes a connected party transaction of Yuexiu REIT and, since the highest applicable percentage ratio is expected to exceed 5%, the Acquisition is subject to the announcement, circular, reporting and Independent Unitholders' approval requirements under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

Furthermore, as the highest applicable percentage ratio in respect of the Acquisition is expected to exceed 25% but be less than 100%, the Acquisition constitutes a major transaction of Yuexiu REIT and is subject to the notification, announcement, circular, accountant's report and Unitholders' approval requirements under Chapter 10 of the REIT Code and Chapter 14 of the Listing Rules (modified as appropriate pursuant to the REIT Code).

12.2 Placing Agreement and Underwriting Agreement

The transactions contemplated under each of the Placing Agreement and the Underwriting Agreement constitute connected party transactions of Yuexiu REIT. For further details on the regulatory implications of these transactions, please refer to section 5.3.1 headed "Financing of the Acquisition — Regulatory implications of the Rights Issue — Implications under the REIT Code and the Listing Rules" in this Circular.

12.3 Whitewash Waiver

Under the circumstances as set out in section 5.3.2 headed "Financing of the Acquisition — Regulatory implications of the Rights Issue — Implications under the Takeovers Code and application for Whitewash Waiver" in this Circular, Yue Xiu and Yuexiu Property would be obliged to make a mandatory general offer for all the issued Units and other securities (if any) of Yuexiu REIT not already owned or agreed to be acquired by them under Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive. Accordingly, Yue Xiu has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

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The Whitewash Waiver, if granted by the Executive, will be subject to, among other things: (i) the approval of the Whitewash Waiver by at least 75% of the votes cast by the Independent Unitholders present and voting (either in person or by proxy) by way of a poll at the EGM; and (ii) the approval of the Acquisition, the Underwriting Agreement and the transactions contemplated thereunder by more than 50% of the votes cast by the Independent Unitholders present and voting (either in person or by proxy) by way of a poll at the EGM. If the Whitewash Waiver is not granted by the Executive, or if granted, either the Whitewash Waiver or any of the other Transaction Matters Requiring Approval (which are inter-conditional with the approval of the Whitewash Waiver) is not approved by the Independent Unitholders, the Rights Issue (and the Acquisition) will not proceed.

12.4 EGM Resolutions

The Manager takes the view that each of the Transaction Matters Requiring Approval are interdependent and linked to each other and part and parcel of a significant proposal. As the Whitewash Waiver is subject to the approval by Independent Unitholders by way of a Special Resolution, whereas the rest of the Transaction Matters Requiring Approval are subject to the approval by Independent Unitholders by way of an Ordinary Resolution, the Manager will seek Independent Unitholders' approval for the Whitewash Waiver and the rest of the Transaction Matters Requiring Approval under separate but inter-conditional resolutions.

As the 2020 Extended Waiver does not expire until 31 December 2023 and no new annual caps would be needed if Acquisition Completion does not take place, the Ordinary Resolution in relation to the CCPT Matters Requiring Approval will be conditional on the passing of the EGM Resolutions to approve the Transaction Matters Requiring Approval. Accordingly, if any of the EGM Resolutions relating to the Transaction Matters Requiring Approval is not passed, the Ordinary Resolution in relation to the CCPT Matters Requiring Approval will be deemed as not having been passed.

For the avoidance of doubt, if the EGM Resolutions relating to the Transaction Matters Requiring Approval are passed but the Ordinary Resolution in relation to the CCPT Matters Requiring Approval is not passed, the Yuexiu Framework Agreements shall automatically terminate pursuant to their terms. In this case, the Yuexiu Continuing CPTs will continue to be subject to the existing annual caps for the years ending 31 December 2021, 2022 and 2023 under the 2020 Extended Waiver, and if any of such annual caps is exceeded, or if there is any material change to the terms of such transactions, Yuexiu REIT shall comply with all applicable requirements (including the announcement and Unitholders' approval requirements) under Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

Please refer to the EGM Notice for the proposed EGM Resolutions in relation to the Matters Requiring Approval. As soon as practicable after the EGM, the Manager will issue an announcement setting out the results of the EGM, including whether the EGM Resolutions have been passed.

12.5 Restrictions on voting

Paragraphs 8.7F and 9.9(f) of the REIT Code provides that where a Unitholder has a material interest in the resolutions tabled for approval, and that interest is different from that of all other Unitholders, such Unitholder shall abstain from voting. Further, under paragraph 3.2 of Schedule 1

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to the Trust Deed, where a Unitholder has a material interest in the resolutions tabled for approval at a general meeting of the Unitholders, and that interest is different from the interests of other Unitholders, such Unitholder shall be prohibited from voting its Units or being counted in the quorum for the general meeting.

As: (i) Mr. Zeng Zhizhao, a non-executive Director, holds senior management position with Yuexiu Property; (ii) Mr. Li Feng, a non-executive Director, is the executive director of Yuexiu Property and holds senior management position with Yue Xiu; and (iii) Mr. Li Feng and Ms. Ou Haijing, an executive director, together were interested in 2,825 Units in aggregate (representing not more than 0.000085% of the total issued Units), each of them has abstained from voting on the relevant board resolutions of the Manager in relation to the Matters Requiring Approval. Save as disclosed above, no Director had a material interest in the Matters Requiring Approval and thus was required to abstain from voting on the relevant board resolutions of Yuexiu REIT in relation to the Transaction Matters Requiring Approval.

Members of the Yuexiu Connected Persons Group are or will be counterparties to the Acquisition Deed, the Second Supplemental Indebtedness Agreement, the Underwriting Agreement, the Placing Agreement, the Yuexiu Leasing Framework Agreement and the transactions contemplated thereunder, and as such, are considered to have a material interest or deemed material interest in the EGM Resolutions relating to the Matters Requiring Approval that will be tabled for approval, different from that of other Unitholders. Pursuant to the REIT Code and the Trust Deed, each of Yuexiu Property and Yue Xiu has agreed that it will abstain, and will procure that other members of the Yuexiu Connected Persons Group will abstain, from voting on such EGM Resolutions, except pursuant to a proxy where a specific direction by an Independent Unitholder as to voting is given.

So far as the Manager is aware, as at the Latest Practicable Date, the parties mentioned above as needing to abstain from voting are interested or deemed to be interested in 1,361,031,432 Units representing approximately 40.8% of the Units in issue.

Pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, as each of (i) the Yuexiu Concert Group, (ii) Mr. Lee Ka Lun, Mr. Lin Feng and Mr. Lin Zhaoyuan, who are all directors of Yuexiu Property, and (iii) DBS Bank Ltd. (the holding company of DBS Asia Capital Limited, being one of the Financial Advisers and the Placing Agents) and BOCI Securities Limited (a wholly-owned subsidiary of BOCI Asia Limited, being one of the Placing Agents) is interested or involved in the Whitewash Waiver, the Acquisition, the Placing Agreement and the Underwriting Agreement, members of the Yuexiu Concert Group and each of the abovementioned persons are required to abstain from voting on the resolution(s) to be proposed at the EGM in relation to the Whitewash Waiver, the Acquisition, the Placing Agreement, the Underwriting Agreement and transactions contemplated thereunder. Members of the Yuexiu Concert Group needing to abstain from voting are interested in an aggregate of 1,361,031,432 Units, representing approximately 40.8% of the Units in issue. Mr. Lee Ka Lun, Mr. Lin Feng and Mr. Lin Zhaoyuan, who are directors of Yuexiu Property, are interested in an aggregate of 3,345 Units, representing less than 0.1% of the Units in issue. DBS Bank Ltd. holds 53,300,000 Units (representing approximately 1.6% of the Units in issue) on a proprietary basis. BOCI Securities Limited, a wholly-owned subsidiary of BOCI Asia Limited, holds 1,317 Units (representing less than 0.1% of the Units in issue) on a proprietary basis.

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To the best of the Manager's knowledge, information and belief, after having made reasonable enquiries, the Manager takes the view that, save as disclosed above, as at the Latest Practicable Date, no other Unitholder is required to abstain from voting at the EGM in respect of the resolutions pertaining to the Matters Requiring Approval.

12.6 Manager has discretion

For the avoidance of doubt, Unitholders should note that, notwithstanding that the resolutions relating to the approval of the Transaction Matters Requiring Approval are passed: (1) the Manager is not obliged to, and has at all times the discretion whether or not to, proceed with Rights Issue or the drawing down of the New Bank Facility; and (2) given that Acquisition Completion is dependent upon the satisfaction of certain conditions, including, but not limited to: (i) the New Bank Facility being in place at Acquisition Completion and the loan amount under such New Bank Facility being available; and (ii) all the conditions to the Rights Issue (save for the grant of listing approval in respect of the Rights Issue Units by the Stock Exchange) having been satisfied, the Manager may not proceed with the Acquisition if any of the Acquisition Conditions are not fulfilled or waived (if applicable) prior to the Long Stop Date.

13 RECOMMENDATIONS

13.1 Board

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to, the Transaction Matters Requiring Approval as described in this Circular, the Board, having taken into account the duties of the Manager under the Trust Deed and the REIT Code, considers that:

- (a) the Acquisition and the transactions contemplated under the Acquisition Deed are: (i) in the ordinary and usual course of business of Yuexiu REIT; (ii) consistent with the investment objectives and strategy of Yuexiu REIT and in compliance with the REIT Code and the Trust Deed; and (iii) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole;
- (b) the Underwriting Agreement and the transactions contemplated thereunder (including the subscription of the Untaken Rights Issue Units) are: (i) in the ordinary and usual course of business of Yuexiu REIT; (ii) consistent with the investment objectives and strategy of Yuexiu REIT; and (iii) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole;
- (c) the Placing Agreement and the transactions contemplated thereunder (including the payment of the placing commission and expenses to Yue Xiu Securities) are: (i) in the ordinary and usual course of business of Yuexiu REIT; (ii) consistent with the investment objectives and strategy of Yuexiu REIT; and (iii) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole;

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- (d) the Deferred Units Arrangement Modification and the transactions contemplated under the Second Supplemental Indebtedness Agreement are: (i) in the ordinary and usual course of business of Yuexiu REIT; (ii) consistent with the investment objectives and strategy of Yuexiu REIT; and (iii) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole; and
- (e) the terms of the Whitewash Waiver are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole.

The Board's (including the INED's view) in relation to the CCPT Matters Requiring Approval are further set out in section 11.6.3 headed "Continuing Connected Party Transactions — Views relating to the CCPT Matters Requiring Approval — Board" in this Circular.

Accordingly, the Board recommends that the Independent Unitholders vote at the EGM in favour of the resolutions in respect of the Matters Requiring Approval.

13.2 Independent Financial Adviser

Somerley Capital Limited has been appointed as Independent Financial Adviser to provide its opinion to the Independent Board Committee (as well as the Independent Unitholders and the Trustee) on the Matters Requiring Approval.

In respect of the Transaction Matters Requiring Approval, the Independent Financial Adviser has confirmed it is of the view that:

- (a) the Acquisition and the transactions contemplated under the Acquisition Deed are: (i) in the ordinary and usual course of business of Yuexiu REIT; (ii) consistent with the investment objectives and strategy of Yuexiu REIT; and (iii) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole;
- (b) the Underwriting Agreement and the transactions contemplated thereunder (including the subscription of the Untaken Rights Issue Units) are: (i) in the ordinary and usual course of business of Yuexiu REIT; (ii) consistent with the investment objectives and strategy of Yuexiu REIT; and (iii) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole;
- (c) the Placing Agreement and the transactions contemplated thereunder (including the payment of the placing commission and expenses to Yue Xiu Securities) are: (i) in the ordinary and usual course of business of Yuexiu REIT; (ii) consistent with the investment objectives and strategy of Yuexiu REIT; and (iii) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole;

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- (d) the Deferred Units Arrangement Modification and the transactions contemplated under the Second Supplemental Indebtedness Agreement are: (i) in the ordinary and usual course of business of Yuexiu REIT; (ii) consistent with the investment objectives and strategy of Yuexiu REIT; and (iii) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole; and
- (e) the terms of the Whitewash Waiver are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole.

The Independent Financial Adviser's views in relation to the CCPT Matters Requiring Approval are further set out in section 11.6.1 headed "Continuing Connected Party Transactions — Views relating to the CCPT Matters Requiring Approval — Independent Financial Adviser" in this Circular.

Accordingly, the Independent Financial Adviser recommends that the Independent Unitholders vote at the EGM in favour of the resolutions in respect of the Matters Requiring Approval.

Details of the Independent Financial Adviser's opinion, together with the principal factors taken into consideration in arriving at such opinion, are set out in the "Letter from the Independent Financial Adviser" appended to this Circular.

13.3 Independent Board Committee

The Independent Board Committee has been established in accordance with Rule 2.8 of the Takeovers Code and Rule 14A.41 of the Listing Rules to advise the Independent Unitholders on the Matters Requiring Approval. In respect of the Matters Requiring Approval that constitute connected party transactions, the Independent Board Committee will, pursuant to Rule 14A.40 of the Listing Rules and taking into account the recommendation of the Independent Financial Adviser, advise the Independent Unitholders: (A) whether such transactions are: (i) in the ordinary and usual course of business of Yuexiu REIT; and (ii) on terms which are normal commercial terms, are at arm's length and fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole; and (B) how to vote on relevant EGM Resolutions. Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee should comprise all the non-executive Directors who have no direct or indirect interest in the Transaction Matters Requiring Approval other than as holders of the Units. Mr. Zeng Zhizhao, a non-executive Director, holds senior management position with Yuexiu Property. Mr. Li Feng, a non-executive Director, is also the executive director of Yuexiu Property and holds senior management position with Yue Xiu. Accordingly, Mr. Zeng Zhizhao and Mr. Li Feng are not considered to be independent for the purpose of making a recommendation to the Independent Unitholders in respect of the Transaction Matters Requiring Approval and are therefore not part of the Independent Board Committee established pursuant to Rule 2.8 of the Takeovers Code.

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In respect of the Transaction Matters Requiring Approval, having taken into account the opinion of and the principal factors and reasons considered by the Independent Financial Adviser, the Independent Board Committee considers that:

- (a) the Acquisition and the transactions contemplated under the Acquisition Deed are: (i) in the ordinary and usual course of business of Yuexiu REIT; (ii) consistent with the investment objectives and strategy of Yuexiu REIT; and (iii) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole;
- (b) the Underwriting Agreement and the transactions contemplated thereunder (including the subscription of the Untaken Rights Issue Units) are: (i) in the ordinary and usual course of business of Yuexiu REIT; (ii) consistent with the investment objectives and strategy of Yuexiu REIT; and (iii) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole;
- (c) the Placing Agreement and the transactions contemplated thereunder (including the payment of the placing commission and expenses to Yue Xiu Securities) are: (i) in the ordinary and usual course of business of Yuexiu REIT; (ii) consistent with the investment objectives and strategy of Yuexiu REIT; and (iii) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole; and
- (d) the Deferred Units Arrangement Modification and the transactions contemplated under the Second Supplemental Indebtedness Agreement are: (i) in the ordinary and usual course of business of Yuexiu REIT; (ii) consistent with the investment objectives and strategy of Yuexiu REIT; and (iii) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole; and
- (e) the terms of the Whitewash Waiver are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole.

The Independent Board Committee's view in relation to the CCPT Matters Requiring Approval are further set out in section 11.6.2 headed "Continuing Connected Party Transactions — Views relating to the CCPT Matters Requiring Approval — Independent Board Committee" in this Circular.

Accordingly, the Independent Board Committee recommends that the Independent Unitholders vote at the EGM in favour of the resolutions in respect of the Matters Requiring Approval.

LETTER TO THE UNITHOLDERS

13.4 Trustee's view

Based and in sole reliance on: (1) the opinion of the Board in this letter to the Unitholders and the information and assurances provided by the Manager; (2) the Letter from the Independent Financial Adviser; and (3) the Letter from the Independent Board Committee, in each case, as set out in this Circular, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code, is of the view that:

- (a) the Acquisition and the transactions contemplated under the Acquisition Deed, the Underwriting Agreement and the transactions contemplated thereunder (including the subscription of the Untaken Rights Issue Units), the Placing Agreement and the transactions contemplated thereunder (including the payment of the placing commission and expenses to Yue Xiu Securities) and the Deferred Units Arrangement Modification and the transactions contemplated under the Second Supplemental Indebtedness Agreement are: (i) consistent with the investment objectives and strategy of Yuexiu REIT set out in clause 19 of the Trust Deed and in compliance with the REIT Code and the Trust Deed; (ii) on normal commercial terms; and (iii) fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders, as well as the Unitholders as a whole; and
- (b) the terms of the Whitewash Waiver are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders, as well as the Unitholders as a whole.

The Trustee's view is furnished for the sole purpose of complying with the REIT Code, and is not to be taken as a recommendation or representation by the Trustee as to the merits or impact of the Matters Requiring Approval as the Trustee has not made any assessment of such merits or impact, other than for the purposes of fulfilling its duties in the Trust Deed and the REIT Code. Accordingly, the Trustee urges all Unitholders, including those who are in any doubt as to the merits or impact of the Matters Requiring Approval, to seek their own financial or other professional advice.

14 EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS

The EGM will be held on Monday, 6 December 2021 for the purpose of considering and, if thought fit, passing with or without amendments, the resolutions set out in the EGM Notice, which is set out on pages N-1 to N-4 of this Circular. You can vote at the EGM if you are a Unitholder on Monday, 6 December 2021 which is referred to in this Circular as the EGM Record Date. You will find enclosed with this Circular the EGM Notice (see pages N-1 to N-4 of this Circular) and a form of proxy for use for the EGM.

In order to determine which Unitholders will qualify to attend and vote at the EGM, the register of Unitholders of Yuexiu REIT will be closed from Tuesday, 30 November 2021 to Monday, 6 December 2021 (both days inclusive). During this period, no transfers of Units will be effected. For those Unitholders who are not already on the register of Unitholders, in order to qualify to attend and vote at the EGM, all Unit certificates accompanied by the duly completed transfer forms must be lodged with the Unit Registrar of Yuexiu REIT, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 29 November 2021.

LETTER TO THE UNITHOLDERS

Your vote is very important. Accordingly, please complete, sign and date the accompanying proxy form in accordance with the instructions printed thereon and return it to the Unit Registrar of Yuexiu REIT, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

15 ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this Circular.

Yours faithfully,
By Order of the Board
Yuexiu REIT Asset Management Limited
(as Manager of Yuexiu Real Estate Investment Trust)
YU Tat Fung
Company Secretary



越秀房地產投資信託基金
YUEXIU REAL ESTATE INVESTMENT TRUST

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))
(Stock code: 00405)

Managed by



越秀房託資產管理有限公司
YUEXIU REIT ASSET MANAGEMENT LIMITED

13 November 2021

To: The Independent Unitholders of Yuexiu REIT

Dear Sir or Madam,

- (1) MAJOR AND CONNECTED PARTY TRANSACTIONS RELATING TO ACQUISITION OF YUEXIU FINANCIAL TOWER IN GUANGZHOU;**
- (2) PROPOSED RIGHTS ISSUE ON THE BASIS OF THIRTY SEVEN (37) UNITS FOR EVERY ONE HUNDRED (100) UNITS HELD ON THE RIGHTS ISSUE RECORD DATE AND APPLICATION FOR WHITEWASH WAIVER;**
- (3) CONNECTED PARTY TRANSACTIONS IN RELATION TO UNDERWRITING AGREEMENT AND PLACING AGREEMENT;**
- (4) MODIFICATION OF CONNECTED PARTY TRANSACTION; AND**
- (5) CONTINUING CONNECTED PARTY TRANSACTIONS**

We have been appointed as members of the Independent Board Committee to advise you in respect of the Matters Requiring Approval, details of which are set out in the “Letter to the Unitholders” in the Circular dated 13 November 2021 from the Manager to the Unitholders (the “Circular”), of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

Somerley Capital Limited has been appointed by the Manager to advise us, the Independent Unitholders and the Trustee as to the Matters Requiring Approval. Details of their opinion, together with the principal factors taken into consideration in arriving at such opinion, are set out in the “Letter from the Independent Financial Adviser” the text of which is contained in the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the opinion of Somerley Capital Limited and the principal factors and reasons considered by them, we consider that:

- (a) the Acquisition and the transactions contemplated under the Acquisition Deed are: (i) in the ordinary and usual course of business of Yuexiu REIT; (ii) consistent with the investment objectives and strategy of Yuexiu REIT; and (iii) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole;
- (b) the Underwriting Agreement and the transactions contemplated thereunder (including the subscription of the Untaken Rights Issue Units) are: (i) in the ordinary and usual course of business of Yuexiu REIT; (ii) consistent with the investment objectives and strategy of Yuexiu REIT; and (iii) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole;
- (c) the Placing Agreement and the transactions contemplated thereunder (including the payment of the placing commission and expenses to Yue Xiu Securities) are: (i) in the ordinary and usual course of business of Yuexiu REIT; (ii) consistent with the investment objectives and strategy of Yuexiu REIT; and (iii) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole;
- (d) the Deferred Units Arrangement Modification and the transactions contemplated under the Second Supplemental Indebtedness Agreement are: (i) in the ordinary and usual course of business of Yuexiu REIT; (ii) consistent with the investment objectives and strategy of Yuexiu REIT; and (iii) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole;
- (e) the terms of the Whitewash Waiver are fair and reasonable and in the interest and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole;
- (f) the terms of the Yuexiu Leasing Framework Agreement and the basis for the Yuexiu Continuing CPTs contemplated thereunder (including the proposed Revised Annual Caps and the basis of arriving at the same) are fair and reasonable as far as the Independent Unitholders are concerned and are in the interests of Yuexiu REIT, the Independent Unitholders, as well as the Unitholders as a whole; and
- (g) Yuexiu Continuing CPTs contemplated under the Yuexiu Leasing Framework Agreement: (i) are and will be conducted in the ordinary and usual course of business of Yuexiu REIT and consistent with the investment objectives and strategy of Yuexiu REIT and in compliance with the REIT Code and the Trust Deed; (ii) are and will be conducted on terms which are and will be at arm's length and on normal commercial terms; and (iii) are and will be fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders, as well as the Unitholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend that the Independent Unitholders vote at the EGM in favour of the resolutions in respect of the Matters Requiring Approval.

Yours faithfully,
For and on behalf of Independent Board Committee of

Yuexiu REIT Asset Management Limited
(as Manager of Yuexiu Real Estate Investment Trust)

Mr. CHAN Chi On,	Mr. CHAN Chi Fai,	Mr. CHEUNG Yuk Tong	Mr. CHEN Xiaoou
Derek	Brian		
<i>Independent</i>	<i>Independent</i>	<i>Independent</i>	<i>Independent</i>
<i>non-executive Director</i>	<i>non-executive Director</i>	<i>non-executive Director</i>	<i>non-executive Director</i>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Somerley Capital Limited, prepared for the purpose of incorporation into this Circular, setting out its advice to the Independent Board Committee, the Trustee and the Independent Unitholders in connection with the Matters Requiring Approval.



SOMERLEY CAPITAL LIMITED

20th Floor

China Building

29 Queen's Road Central

Hong Kong

13 November 2021

*To: The Independent Board Committee, the Trustee
and the Independent Unitholders*

Dear Sirs,

- (1) MAJOR AND CONNECTED PARTY TRANSACTIONS RELATING TO ACQUISITION OF YUEXIU FINANCIAL TOWER IN GUANGZHOU;**
- (2) PROPOSED RIGHTS ISSUE ON THE BASIS OF THIRTY SEVEN (37) UNITS FOR EVERY ONE HUNDRED (100) UNITS HELD ON RIGHTS ISSUE RECORD DATE AND APPLICATION FOR WHITEWASH WAIVER;**
- (3) CONNECTED PARTY TRANSACTIONS IN RELATION TO UNDERWRITING AGREEMENT AND PLACING AGREEMENT**
- (4) MODIFICATION OF CONNECTED PARTY TRANSACTION; AND**
- (5) CONTINUING CONNECTED PARTY TRANSACTIONS**

We refer to the announcement dated 24 October 2021 published by Yuexiu REIT relating to the captioned subjects and our appointment to advise the Independent Board Committee, the Trustee and the Independent Unitholders as regards the Matters Requiring Approval, details of which are set out in the Letter to the Unitholders contained in the circular of Yuexiu REIT to its Unitholders dated 13 November 2021 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as defined in the Circular and the Letter to the Unitholders therein.

As at the Latest Practicable Date, (i) Yuexiu Property wholly-owns the Manager and Dragon Yield (the latter being a Substantial Unitholder of Yuexiu REIT which holds approximately 35.1% of the issued Units); (ii) the Vendor is a directly wholly-owned subsidiary of Yuexiu Property; (iii) Yue Xiu Securities (being one of the Placing Agents) is an indirect wholly-owned subsidiary of Yue Xiu; (iv) Yue Xiu is the indirect holding company of Yuexiu Property which holds approximately 39.8% interest in Yuexiu Property; and (v) GZYX is the holding company of Yue Xiu and the ultimate holding company of Yuexiu Property, and therefore each of them is a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As (i) the counterparties to the Acquisition Deed and the Yuexiu Leasing Framework Agreement are connected persons of Yuexiu REIT; and (ii) the highest applicable percentage ratio for the transactions contemplated under each of the aforesaid agreements is or is expected to be more than 5%, these transactions contemplated thereunder and the relevant annual caps (as the case may be) would be subject to the reporting, annual review (as the case may be), announcement, circular and Independent Unitholders' approval requirements under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). Furthermore, as the highest applicable percentage ratio in respect of the Acquisition is expected to exceed 25% but be less than 100%, the Acquisition constitutes a major transaction of Yuexiu REIT and is subject to the notification, announcement, circular, accountant's report and Unitholders' approval requirements under Chapter 10 of the REIT Code and Chapter 14 of the Listing Rules (modified as appropriate pursuant to the REIT Code).

The arrangement under the Underwriting Agreement serves to facilitate the Rights Issue, the purpose of which, in turn, is to finance the Acquisition. As such, the Manager will also seek Independent Unitholders' approval for the Underwriting Agreement and the transaction contemplated thereunder, which constitutes a connected party transaction of Yuexiu REIT that is subject to the reporting, announcement, circular and Independent Unitholders' approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code), under the same Ordinary Resolution to approve the Acquisition. Although the transaction with Yue Xiu Securities contemplated under the Placing Agreement, being a connected party transaction of Yuexiu REIT, would ordinarily be exempt from the circular (including the opinion and recommendations from an independent financial adviser) and the Independent Unitholders' approval requirements given the highest applicable percentage ratio for such transaction is expected to exceed 0.1% but be less than 5%, the Manager considers the Placing Agreement to be part and parcel of the Rights Issue and the underwriting thereof, and will hence also seek Independent Unitholders' approval for the transactions thereunder together with the transactions under the Underwriting Agreement under one Ordinary Resolution. While the Deferred Units Arrangement Modification purports to ease the immediate dilution effect on the Unitholders resulting from the Rights Issue, it constitutes a modification of the existing mechanism for the issuance of Deferred Units under a connected party transaction of Yuexiu REIT previously approved by independent Unitholders in 2012 (being the Indebtedness Agreement). Accordingly, the Deferred Units Arrangement Modification and the transactions contemplated under the Second Supplemental Indebtedness Agreement will be subject to the approval of the Independent Unitholders under the same Ordinary Resolution.

Pursuant to the REIT Code and the Trust Deed, each of Yuexiu Property and Yue Xiu has agreed that it will abstain, and will procure that other members of the Yuexiu Connected Persons Group (including Yuexiu Property, Yue Xiu, Ms. Ou Haijing and Mr. Li Feng) will abstain, from voting on the EGM Resolutions, except pursuant to a proxy where a specific direction by an Independent Unitholder as to voting is given.

As at the Latest Practicable Date, the Yuexiu Concert Group was collectively interested in 1,361,031,432 Units, representing approximately 40.8% of the total number of issued Units. As the Underwriter may be required to take up the Maximum Untaken Rights Issue Units pursuant to the Underwriting Agreement which would result in a possible increase in its unitholding by more than 2%, Yue Xiu and Yuexiu Property would be obliged to make a mandatory general offer for all the issued Units and other securities (if any) of Yuexiu REIT not already owned or agreed to be acquired by them

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

under Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive. Accordingly, Yue Xiu has applied to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Whitewash Waiver by at least 75% of the votes cast by the Independent Unitholders and the approval of the Acquisition, the Underwriting Agreement and transactions contemplated thereunder by more than 50% of the votes cast by the Independent Unitholders by way of a poll at the EGM. Members of the Yuexiu Concert Group (including Yuexiu Property, Yue Xiu, Ms. Ou Haijing and Mr. Li Feng) and other interested parties (including Mr. Lee Ka Lun, Mr. Lin Feng and Mr. Lin Zhaoyuan, who are all directors of Yuexiu Property, and DBS Bank Ltd. (the holding company of DBS Asia Capital Limited, being one of the Financial Advisers and the Placing Agents) and BOCI Securities Limited (a wholly-owned subsidiary of BOCI Asia Limited, being one of the Placing Agents), both on a proprietary basis), who were interested in an aggregate of 1,414,336,094 Units as at the Latest Practicable Date, representing approximately 42.4% of the Units in issue, are required to abstain from voting.

The Independent Board Committee, comprising all the INEDs, namely Mr. CHAN Chi On Derek, Mr. CHAN Chi Fai Brian, Mr. CHEUNG Yuk Tong and Mr. CHEN Xiaou, has been established in accordance with Rule 2.8 of the Takeovers Code and Rule 14A.41 of the Listing Rules to advise the Independent Unitholders on the Matters Requiring Approval. In respect of the Matters Requiring Approval that constitute connected party transactions, the Independent Board Committee will, pursuant to Rule 14A.40 of the Listing Rules and taking into account the recommendation of the Independent Financial Adviser, advise the Independent Unitholders: (A) whether such transactions are: (i) in the ordinary and usual course of business of Yuexiu REIT; (ii) on terms which are normal commercial terms or better, are at arm's length and fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole, and (B) how to vote on the relevant EGM Resolutions. We have been appointed to advise the Independent Board Committee, the Trustee and the Independent Unitholders in this regard.

During the past two years, Somerley Capital Limited (“**Somerley**”) is acting or has acted as the independent financial adviser (the “**IFA Engagements**”) to the independent board committee and independent shareholders / Unitholders of Yuexiu REIT (and the Trustee), Yuexiu Property and Yuexiu Transport in relation to connected transactions and continuing connected transactions and Chong Hing Bank in relation to its privatisation proposal. Yue Xiu is the controlling shareholder of each of Yuexiu Property, the Manager, Yuexiu Transport and Chong Hing Bank and the substantial Unitholder of Yuexiu REIT. For details of those announced transactions for which we have been engaged as the independent financial adviser in the past two years, please refer to Yuexiu REIT's announcement dated 20 November 2020, Yuexiu Property's announcements dated 9 December 2019, 22 November 2020, 23 November 2020, 23 December 2020 and 8 February 2021 and Chong Hing Bank's announcement dated 19 May 2021. The above IFA Engagements were limited to providing independent financial advisory services to each of Yuexiu REIT, Yuexiu Property, Yuexiu Transport and Chong Hing Bank pursuant to the Listing Rules, the REIT Code and the Takeovers Code, as the case may be, and Somerley, in return, has received fixed normal advisory fees from them. Somerley is not aware of any circumstances as set out in Rule 13.84 under the Listing Rules or any other matters which may cause it to have a conflict of interest in acting as the independent financial adviser regarding the Matters Requiring Approval.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Somerley is independent of (i) Yuexiu REIT; (ii) the Purchaser; (iii) the Trustee; (iv) the Manager; (v) the Vendor; (vi) GZYX; (vii) Yue Xiu; (viii) Yuexiu Property; (ix) Dragon Yield; (x) Yue Xiu Securities; and (xi) their respective associates as defined under the REIT Code and parties acting in concert with any of them. Apart from normal professional fees payable to us in connection with this appointment and other similar engagements, no arrangement exists whereby we will receive any fees or benefits from Yuexiu REIT, the Manager or any other party to the Matters Requiring Approval, the Purchaser, Dragon Yield, Yuexiu Property, the Vendor, Yue Xiu Securities, Yue Xiu, GZYX or their respective substantial shareholders or associates or concert parties.

In formulating our opinion, we have reviewed, amongst others, the Acquisition Deed, the Underwriting Agreement, the Placing Agreement, the Second Supplemental Indebtedness Agreement, the Yuexiu Leasing Framework Agreement, the Naming Rights Agreement, the Carpark Master Lease Agreement, other existing tenancy agreements in respect of the Property and other information as set out in this Circular, in particular, the appendices including the Valuation Report and Market Consultant Report, the Accountants' Report of the Target Group and the Unaudited Pro Forma Financial Information of the Enlarged Group, the annual report of Yuexiu REIT for the year ended 31 December 2020 (the "**2020 Annual Report**"), and the interim report of Yuexiu REIT for the six months ended 30 June 2021 (the "**2021 Interim Report**"). We have reviewed the trading performance of the Units. We have also discussed with the Independent Property Valuer the valuation methodology and bases and assumptions for the valuation of the Property.

We have also relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Manager and have assumed that the information, facts and opinions provided to us are true and accurate and that the Independent Unitholders will be informed of any material change as soon as possible up to the date of the EGM. We have also sought and received confirmation from the Directors and management of the Manager that no material factors have been omitted from the information supplied and opinions expressed. We have no reason to doubt the truth, accuracy and completeness of the information provided to us or to believe that any material fact or information has been omitted or withheld. We have not, however, conducted an independent investigation into the affairs of the Manager, Yuexiu REIT, the Existing Properties and the Property. We consider that we have been provided with and have reviewed sufficient information to reach an informed view. We have also assumed that the statements and representations made or referred to in the Circular were accurate and not misleading at the time they were made and continue to be accurate and not misleading as at the date of the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our opinion with regard to the Matters Requiring Approval, we have taken into account the following principal factors:

1 Yuexiu REIT and Existing Properties

1.1 Yuexiu REIT

Yuexiu REIT, listed since December 2005, is a real estate investment trust formed primarily to own and invest in high quality income-producing commercial real estate in top-tier PRC cities with capital appreciation potential. As stated in the 2021 Interim Report, as at 30 June 2021, the eight properties currently owned by Yuexiu REIT comprised White Horse Building Units, Fortune Plaza Units and certain carpark spaces (“**Fortune Plaza**”), City Development Plaza Units and certain carpark spaces (“**City Development Plaza**”), Victory Plaza Units (“**Victory Plaza**”), Guangzhou IFC, located in Guangzhou, Shanghai Yue Xiu Tower, located in Shanghai, Wuhan Property, located in Wuhan, and Hangzhou Property, located in Hangzhou.

1.2 Existing Properties

According to the 2021 Interim Report, as at 30 June 2021, Yuexiu REIT’s property portfolio comprised eight commercial properties located in top-tier cities of the PRC. The aggregate area of ownership of the properties was approximately 973,001.4 sq.m. and the total rentable area was 632,915.1 sq.m. (excluding some parking spaces, hotel and serviced apartments, specific purpose area and common and other facilities areas).

All of the Existing Properties have been held by Yuexiu REIT since its listing in December 2005 except for (i) Guangzhou IFC, Shanghai Yue Xiu Tower, Wuhan Property, Hangzhou Property and certain carpark spaces located at City Development Plaza and Fortune Plaza, which were acquired by Yuexiu REIT in 2012, 2015, 2017, 2018 and 2019, respectively and (ii) Yue Xiu Neo Metropolis Plaza Units, which was acquired in 2008 and subsequently disposed by Yuexiu REIT in 2018.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the Existing Properties as at 30 June 2021:

Name of property	Type	Year of completion	Total rentable area (sq.m.) ⁽¹⁾	Occupancy rate				Average monthly rent per sq.m. (RMB)				Appraised value (RMB million) ⁽³⁾
				1H2021	2020	2019	2018	1H2021	2020	2019	2018	
Guangzhou:												
White Horse Building Units	Wholesale shopping mall	1990	50,128.9	90.1%	94.0%	100.0%	100.0%	558.7	535.4	632.4	627.9	5,089
Fortune Plaza	Grade-A office	2003	41,355.2	99.1%	97.3%	99.2%	98.7%	152.3	153.8	158.2	154.1	1,256
City Development Plaza	Grade-A office	1997	42,397.4	94.7%	96.7%	96.3%	96.1%	140.9	141.8	138.8	137.0	1,058
Victory Plaza	Retail shopping mall	2003	27,262.3	98.7%	98.7%	98.2%	99.4%	182.1	290.5	271.5	270.4	954
Guangzhou IFC	Commercial complex ⁽²⁾	2010	230,266.9	93.6%	92.2%	97.0%	96.4%	223.1	219.3	220.1	215.2	18,784
Shanghai:												
Shanghai Yue Xiu Tower	Commercial complex ⁽²⁾	2010	46,026.3	92.2%	92.6%	92.2%	97.3%	252.6	252.6	264.9	272.0	3,060
Wuhan:												
Wuhan Property	Commercial complex ⁽²⁾	2014 - 2016	172,993.3	90.9%	89.9%	81.2%	75.4%	85.3	85.6	82.8	80.6	3,673
Hangzhou:												
Hangzhou Property	Grade A office	2017	22,484.8	95.9%	95.9%	92.1%	83.4%	120.5	119.6	117.8	111.5	614
Total			632,915.1	93.2%	92.8%	92.6%	90.8%	198.1	201.4	214.4	214.4	34,488

Notes:

1. Excluding some parking spaces, hotel and serviced apartments, specific purpose area and common and other ancillary facilities areas.
2. For these commercial complexes, the Grade A office space accounts for 79.7% of Guangzhou IFC, 86.4% of Shanghai Yue Xiu Tower and 74.8% of Wuhan Property respectively, in terms of their respective total rentable area having excluded the area of parking space, hotel and serviced apartments, specific purpose area and common and other ancillary facilities areas).
3. The information in the above table is extracted from the valuation report of the Existing Properties set out in Appendix 5B to the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the 2021 Interim Report, the rentable area of Guangzhou IFC, White Horse Building Units, Fortune Plaza, City Development Plaza, Victory Plaza and Shanghai Yue Xiu Tower (together the “**Mature Properties**”), which have been operating over 10 years and have high occupancy rates, accounted for 69.1% of Yuexiu REIT’s total rentable area, while the aggregate of those of Wuhan Property and Hangzhou Property (altogether the “**Growth Properties**”), which have been operating less than 7 years and have relatively lower occupancy rates, accounted for the remaining 30.9%.

The Mature Properties (except for Fortune Plaza, Victory Plaza and Shanghai Yue Xiu Tower), which managed to maintain relatively stable occupancy rates before the COVID-19 pandemic, suffered a 1%-10% decrease in the occupancy rates in the first half 2021 as compared to those in 2019, which, as advised by the Manager, was due to the outbreak of the COVID-19 pandemic. In contrast, the Manager has seen a steady growth in Growth Properties’ occupancy rates, with Wuhan Property’s occupancy rate increasing from 75.4% in 2018 to 90.9% in the first half of 2021 and Hangzhou Property’s occupancy rate increasing from 83.4% in 2018 to 95.9% in the first half of 2021. As advised by the Manager, the steady growth was mainly contributed by (i) the pro-active management strategies implemented during the pandemic and significant efforts on leasing all along; and (ii) quick recovery of PRC economy.

We have noted that different types of buildings exhibit different trends in terms of the average monthly rent in the past three years. While commercial properties and Grade A offices showed significant resilience in respect of their average monthly rents amid the pandemic, the wholesale shopping mall’s average monthly rent was badly hit by the COVID-19 pandemic to record a 15.3% year-on-year decrease in 2020. According to the 2020 Annual Report, White Horse Building Units was facing a sluggish recovery in the specialized apparel market in Guangzhou after the COVID-19 pandemic, accompanied with an increasing market instability and a higher risk of customer loss. The Manager formulated strategies in offering operation assistance from time to time after the outbreak of the pandemic, by building multi-channel marketing with the use of online and offline platforms and launched a number of brand activities to stimulate consumption. In respect of tenants’ retention, the management team implemented differentiated leasing policies to support tenants’ operation, and effectively stabilized the key premium tenants. In respect of optimisation of tenant mix, the management team smoothly carried out the optimisation and adjustment in lease renewals and strategic lease extension, which led to an optimisation in brands by phasing out the brands not in line with the floor positioning, ensured a stable operation and laid down a good foundation for future optimisation of tenant mix. As stated in the 2021 Interim Report, the impact of pandemic was still continuing but the confidence of the market and merchants slowly recovered. A number of capital expenditure projects were carried out such as upgrading the building’s facade and renovation and transformation of certain floor with a view to enhance the image of White Horse Building Units and to promote the business operation.

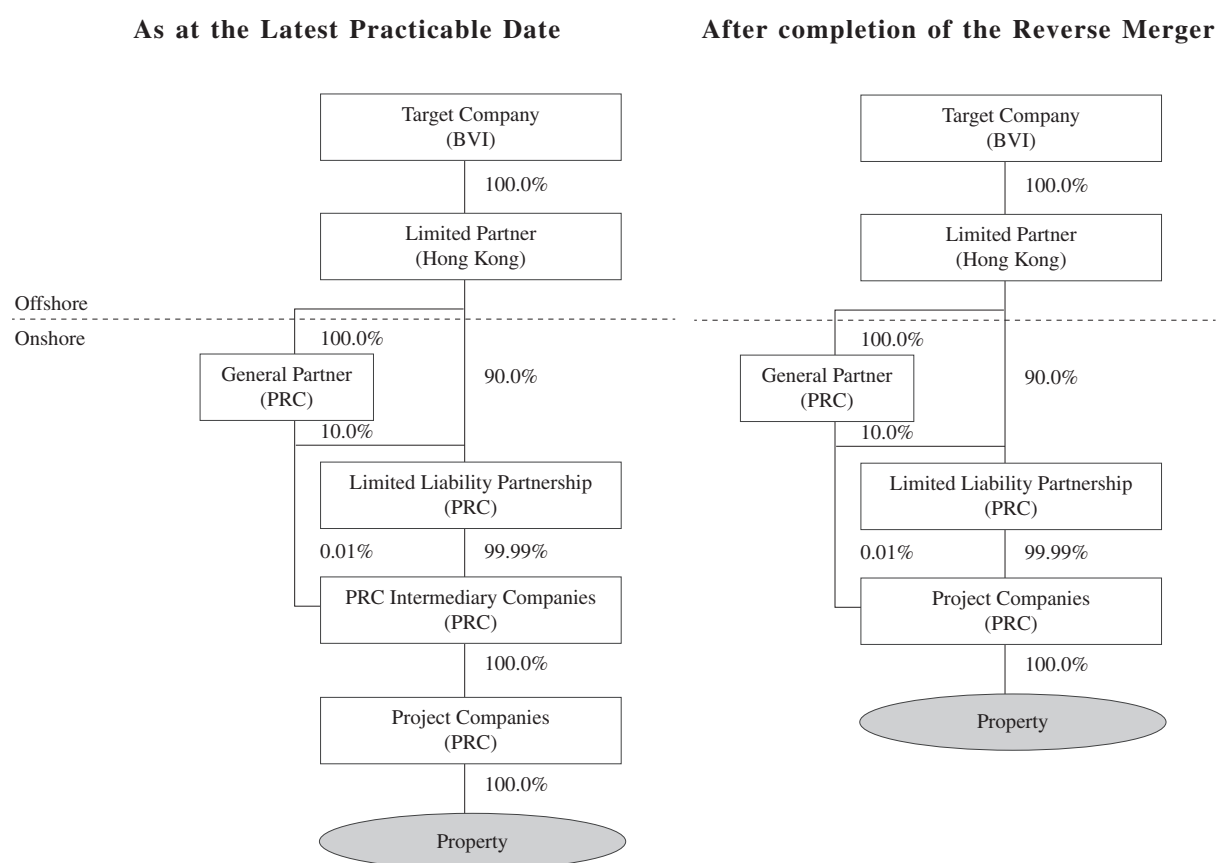
2 The Target Group and the Property

2.1 The Target Group

The Target Company is incorporated in the BVI and holds the entire equity interest in the Project Companies through the Limited Partner, the General Partner, the Limited Liability Partnership and the PRC Intermediary Companies. The Project Companies are the registered legal owners of the land use rights and ownership rights underlying the Property.

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As set out in the Letter to the Unitholders, following Acquisition Completion, it is intended that the holding structure of the Property will be further streamlined by the Reverse Merger, which was originally part of the restructuring exercise initiated by Yuexiu Property as required by the Purchaser and began before the date of the Circular. On 16 September 2021, the PRC Intermediary Companies and the Project Companies entered into a merger agreement pursuant to which the parties agreed to merge by the Project Companies' absorption of the PRC Intermediary Companies. Upon the completion of the Reverse Merger, the PRC Intermediary Companies will be deregistered, and the Limited Liability Partnership and the General Partner will become the direct shareholders of the Project Companies. The PRC Intermediary Companies' assets (save for their equity interests in the Project Companies) and liabilities (including those under the related party loans previously granted by the Limited Liability Partnership) will be undertaken by the Project Companies following the Reverse Merger. The simplified holding structure of the Property as at the Latest Practicable Date and following the completion of the Reverse Merger are as follows:



As stated in the Letter to the Unitholders, the PRC Legal Advisers have confirmed that: (i) the Reverse Merger is legal and valid under the relevant PRC laws and regulations; (ii) the Reverse Merger will not affect Yuexiu REIT's good marketable legal and beneficial title to the Property and ability of the Limited Liability Partnership and the Project Companies to remit the income generated by the Property to Hong Kong, whether by way of interest payments and/or dividends; and (iii) the Reverse Merger will not result in any additional liabilities being imposed on Yuexiu REIT. Therefore, the Manager is of the view that the Reverse Merger and the resulting holding structure of the Property are compliant with the REIT Code and the relevant laws and regulations in the PRC and will not result in additional liabilities being imposed on Yuexiu REIT.

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There are certain procedural steps required to legally effect the Reverse Merger under PRC law. Based on the advice of the Manager's PRC Legal Advisers, who have confirmed: (i) the remaining steps required to effect the Reverse Merger are expected to be completed in or before April 2022; and (ii) there are no material risks or legal impediments to completion of such steps (including obtaining the relevant approvals from the relevant authorities); (iii) there are no impediments that will cause delay in the completion of the Reverse Merger; and (iv) the Reverse Merger is legal and valid under the relevant PRC laws and regulations, the Manager expects that the Reverse Merger will complete in or before April 2022. As advised by the Manager, as the Reverse Merger is not a condition precedent of the Acquisition, Acquisition Completion will likely take place before completion of the Reverse Merger. The Manager will publish an announcement upon completion of the Reverse Merger.

We have discussed with the Manager and noted that holding properties through a partnership structure involving reverse merger is not uncommon for investment funds operating in the PRC. As set out in the Letter to the Unitholders, the new structure will provide a more efficient repatriation process as compared to the structural organisation of the Existing Properties, which will allow cash to funnel through the Target Group within the time frame desired and without much complications. The enhanced repatriation mechanism would allow Yuexiu REIT more flexibility in managing its offshore cash flow position and hedging its foreign exchange risk exposure. Other than this, the expected holding structure of the Property is not substantively different from the holding structures of Existing Properties, in terms of laws, regulations and ultimate control of the Property.

2.2 The Property

The Property, known as “Yuexiu Financial Tower (越秀金融大厦)”, is located at No. 28, Zhujiang East Avenue, Tianhe District, Guangzhou, Guangdong Province, PRC and has a total gross floor area of 210,282.94 sq.m. with a height of approximately 309 metres and comprises: (a) a 68-storey above-ground commercial building (comprising a 4-storey retail component and a 64-storey office component); and (b) a 4-storey basement of 827 underground Carpark Spaces. As an International Grade A office property, the Property has attracted multinational and reputable corporate tenants.

The Property is located in the Core Area of ZJNT, a core central business district in Guangzhou. Guangzhou is the capital city of Guangdong province in Southern China and a key strategic location in the Greater Bay Area. Situated at a prime location, the Property also benefits from high levels of connectivity and accessibility. The Property is located at the central axis of the Core Area of ZJNT and is within walking distance of Zhujiang New Town Station, interchange for the metro line 3 and line 5. Metro line 18 was newly opened on 28 September 2021 and Phase 2 of line 13 is currently under construction and expected to open in 2022. The two new metro lines will interchange in Xiancun Station which is 200 metres away from the Property. Metro line 18 has become the key vertical line connecting Tianhe District with Panyu District and Nansha District in Guangzhou from the north side to the south side, whereas metro line 13 will become the key horizontal line in the Guangzhou metro network spanning from the east side to the west side of the urban area in Guangzhou. Other than the metro lines, there is currently an Automated People Mover System (“APM”) connecting the area with other parts of Tianhe District and Haizhu District.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Further details of the Property are summarized below:

Type	Description	Gross rentable area (sq.m.)	Year and month of completion	Occupancy rate as at 30 September 2021	Average rent (RMB/sq.m.) for the month of September 2021 ⁽²⁾	Appraised value (RMB million) as at 31 August 2021
Grade-A office	5th-68th-floor	166,378.62	August 2015	93.8%	199.30	7,575
Car park	a total of 827 underground car parking spaces	10,289.05	August 2015	n.a.	n.a.	271
Retail	1st-4th floor	3,818.19	August 2015	100.0%	223.32	184
	Total	180,485.86	n.a.	93.9%⁽¹⁾	n.a.	8,030

Notes:

- (1) Average occupancy rate is based on weighted average occupancy rate of office and retail portion.
- (2) Average rent per leased sq.m. is based on current gross (base) rent.

2.2.1 Tenant profile and details of tenancy mix

The table below sets out details of the overall tenant diversification of the Property, in terms of trade sub-sector by reference to total gross rented area as at 30 September 2021 and total gross rental income for the month ended 30 September 2021:

Trade sector	Percentage by gross rented area	Percentage by gross rental income
Commercial services	27.6%	25.2%
Real estate	12.9%	15.0%
Manufacturing	13.4%	12.6%
Information technology	15.5%	14.3%
Finance	29.2%	31.7%
Cultural, sports and entertainment	0.5%	0.6%
Logistics services	0.7%	0.5%
Food and beverage services	0.2%	0.1%
Total	100.0%	100.0%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.2.2 Schedule of tenancy expirations

The following table sets forth details of the percentage of expiries in respect of the leases of the Property as at 30 September 2021, which are scheduled to take place during the periods indicated below:

Period	Gross rented area of leases expiring as a percentage of total gross rented area⁽¹⁾	Gross rental income of leases expiring as a percentage of total gross rental income⁽²⁾
Year ending 31 December 2021 ⁽³⁾	17.4%	19.1%
Year ending 31 December 2022	10.5%	11.8%
Year ending 31 December 2023	24.8%	24.1%
Year ending 31 December 2024	14.6%	15.4%
Year ending 31 December 2025 and beyond	<u>32.7%</u>	<u>29.6%</u>
Total	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>

Notes:

- (1) Based on total gross rented area as at 30 September 2021.
- (2) Based on total gross rental income for the month ended 30 September 2021.
- (3) As at 30 September 2021, approximately 80% of these expiring leases had already been renewed or the tenants are already in the process of negotiating renewal agreements.
- (4) The above figures were computed assuming no exercise of any lease renewal rights and that the leases will not be terminated until the expiry of their fixed lease terms.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.2.3 Top 10 tenants by gross floor area as at 30 September 2021 based on signed leases

The following table sets forth details of the top 10 tenants by gross floor area as at 30 September 2021 based on signed leases:

No.	Trade sector	Tenancy expiry date	Gross floor area (sq.m.)	Proportion of gross floor area	Monthly rent (RMB)	Proportion of monthly rent
1	Mixed: Finance, Real Estate, Business Services (A total of 42 Connected Leases)	30 Nov 2021 to 31 Dec 2025	25,676.57	16.3%	8,158,062	25.5%
2	Commercial service	14 Sep 2025 to 30 Nov 2028	8,035.27	5.0%	1,763,441	5.5%
3	Manufacturing	31 Aug 2026	6,256.05	3.9%	1,060,550	3.3%
4	Information Technology	30 Jun 2025	6,100.35	3.8%	1,016,725	3.2%
5	Commercial service	30 Jun 2025	5,590.45	3.5%	634,663	2.0%
6	Manufacturing	30 Jun 2023	5,465.39	3.4%	1,045,607	3.3%
7	Information Technology	30 Jun 2023 to 31 Mar 2026	4,192.05	2.6%	657,577	2.1%
8	Finance	31 Mar 2025	3,171.07	2.0%	561,733	1.8%
9	Commercial service	30 Nov 2021	2,739.98	1.7%	419,575	1.3%
10	Finance	31 Dec 2021 to 29 Feb 2024	2,473.90	1.6%	486,469	1.5%

Note: If tenancy agreements for different premises are entered into by different entities belonging to the same group, they are treated as a single tenant, and the relevant figures are combined for the purpose of this table.

2.2.4 Rental yield

Based on the Appraised Value and the accountant's report in respect of the Target Group set out in Appendix 2 to the Circular, the rental yield of the Property (as calculated by dividing the annualized rental income by the Appraised Value, before considering potential income from the Naming Rights Agreement and the Carpark Master Lease Agreement, which will become effective upon Acquisition Completion) is 4.52% and 4.80% for the year ended 31 December 2020 and the six months ended 30 June 2021, respectively.

2.2.5 Delinquency rates

No provision was made for unpaid rents for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021 in respect of the Property.

3. Market overview and outlook

3.1 Macro overview of Guangzhou

Guangzhou is the provincial capital of Guangdong and one of the largest cities in China with a resident population of 18.68 million. According to the 13th Five-Year Plan (2016-2020), the city's gross domestic product ("GDP") increased from RMB1,856 billion in 2016 to RMB2,502 billion in 2020, representing a compound annual growth rate ("CAGR") of 6%. In 2020, the GDP growth of Guangzhou ranked 2nd among first-tier cities in China.

In 2017, the PRC government initiated the GBA with an aim to enhance the economic and urban integration among Guangzhou, Hong Kong, Macau and other eight cities in Guangdong Province. The CPC Central Committee and the State Council released the GBA Development Plan in 2019 which provides guidance on the cooperation and development of the GBA. The implementation of various follow-up plans and favourable policies, such as "Action Plan for Collaborative Construction of an Internationally Competitive Modern Industrial System in the GBA of Guangzhou" (《廣州市協同構建粵港澳大灣區具有國際競爭力的現代產業體系行動計畫》) and the implementation plan of the "Opinions on Financial Support for the Development of the Guangdong-Hong Kong-Macao Greater Bay Area"《關於貫徹落實金融支持粵港澳大灣區建設意見的實施方案》, can attract capital and businesses to Guangzhou and bring new demand for office space in Guangzhou.

3.2 Commercial property outlook in ZJNT

ZJNT is the core area of Guangzhou Tianhe central business district, one of the three national central business districts approved by the State Council which primarily serves the Pearl River Delta Economic Circle. It is bound by the South China Express Line (華南快速幹線) on the east, the Pearl River (珠江) on the south, Guangzhou Avenue (廣州大道) on the west and Huangpu Avenue (黃埔大道) on the north with a total land area of 6.44 square kilometres.

ZJNT is a developed area with offices, shopping centres, museums, opera theatres, libraries, high-rise residential buildings and public service facilities. The walking distance between the International Grade A office buildings in the Core Area of ZJNT and the adjacent major metro lines are about 5-10 minutes. Line 18 was newly opened on 28 September 2021 and Phase 2 of line 13 is currently under construction and expected to open in 2022. The opening of two new metro lines will further improve the regional public transportation network. The opening of the new metro stations (Xiancun Station and Huacheng Square North Station) will tend to push up the rent of office buildings around the station.

3.2.1 Office market

Grade A office buildings in ZJNT are concentrated along the central axis of the core area. On the south side near Haixinsha Square, there are landmark buildings of Guangzhou including Guangdong Museum, Guangzhou Library, Guangzhou Opera House, Second Children's Palace Guangzhou, Guangzhou IFC (West Tower) and Chow Tai Fook Finance Center (East Tower).

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According to the Market Consultant Report, a number of Grade A office buildings were completed and delivered from 2011 to 2016 with an average annual new supply and absorption of about 408,000 sq.m. and 370,000 sq.m. respectively. From 2017 to 2019, new supply decreased, while the average annual net absorption (calculated by the sum of square metre area newly leased out minus the sum of square metre area that returned to the rental market in a given period, the “**Net Absorption**”) was approximately 96,000 sq.m., indicating a shortage of supply. Affected by the short-term economic downturn brought about by COVID-19, the Net Absorption in 2020 declined to about -40,000 sq.m. from +24,000 sq.m. in 2019. As there was no new supply in 2020, which offset some of the effect on slow Net Absorption, the vacancy rate increased by 1.3% year-on-year to 7.0% in Q4 2020. Some start-up entities, which needed to preserve cash for their operation, cut down the rental spaces or even early terminated their leases. However, as the influence of the pandemic declines, ZJNT rental market for Grade A office in Q1 and Q2 2021 showed improved performance as the vacancy rate in Q2 2021 dropped to 6.4%. ZJNT’s financial position was further consolidated as the recently established Guangzhou Futures Exchange was set up in Guangzhou Vanke Center in ZJNT in April 2021.

According to the Market Consultant Report, save for two new Grade A office buildings, GDH Finance Center (粵海金融中心) T1 and T2, which will come into operation by Q4 2021 and 2022, respectively, with a total gross floor area of approximately 204,000 sq.m., there will be no new supply in the next four years (and the supply forecast data for 2026 and beyond are yet to be available as advised by the Market Consultant) and the market demand for high-quality office space remains strong, especially from the financial services and information technology, media and TMT sectors. The strong demand is leading to an active office leasing market and frequent leasing transactions, the driving force for ZJNT’s Grade A office market in the future. According to the Market Consultant Report, the rental level of Grade A office has been growing steadily since 2010. Rent increased from RMB152/sq.m. per month in 2010 to RMB208/sq.m. per month in 2019, representing CAGR of 3.6%. Although falling to RMB198/sq.m. per month in 2020, ZJNT is still the area with the highest rent in the city. The rental level of ZJNT’s Grade A office in 2021 is expected to slightly increase by 0.7% year-on-year. According to the Market Consultant Report, having taken into account the new supply brought by GDH Finance Center, the rental rate of International Grade A office space in the Core Area of ZJNT is expected to have a steady growth at 3.2% to 4.4% in between 2022 and 2025, mainly due to the scarcity of office space in the area in the next four years. The rental forecast data for 2026 and beyond are not included in the Market Consultant Report. Given the demand for office spaces in ZJNT remains strong and the additional supply brought by GDH Finance Center accounts for approximately 7% of the current total supply of Grade A office spaces in ZJNT, we have discussed with the Manager, the Market Consultant and the Independent Property Valuer and are advised that they do not consider there will be substantial competition risk to severely affect the financial performance of the Property and, in turn, significantly its value.

3.2.2 Retail market

ZJNT has one of the most prosperous retail markets in Guangzhou and its development has kept pace with that of the Grade A office market. Similar to the Grade A office market, major shopping malls such as K11 Art Mall, Guangzhou IFC and Guangzhou International Grand City are located at the Core Area of ZJNT. In addition, most Grade A office podium buildings have banking and securities institutions, medical and health institutions, and fast food chains and restaurants to accommodate consumer demand of office users.

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Retail sales and catering are the major format (accounting for more than 70%) of ZJNT's retail market which is mainly supported by local residents and tourists and white collar workers, respectively. The overall development of the retail market in ZJNT is mature and the scarcity of land has led to a lack of new supply. According to the Market Consultant Report, it is estimated that no new shopping mall will be opened in ZJNT in the next five years. As of Q2 2021, the retail space inventory (i.e. the sum of vacant and leased retail space) of ZJNT was 564,000 sq.m., accounting for 11.9% of the inventory of Guangzhou retail market. As advised by the Market Consultant, the retail market in Q1 and Q2 2020 was hit by COVID-19 and gradually recovered in Q3 and Q4 2020. In 1H 2021, the retail market continued to improve as the government encouraged local spending which stimulated the demand for retail and catering services. The average rental reached RMB706.7/sq.m. in Q2 2021, increasing by 11.3% as compared to the same period in 2020, though it is still lower than the more established retail districts such as Sports Center District (RMB1,734/sq.m. per month) and Yuexiu District (RMB955/sq.m. per month). The vacancy rate in Q2 2021 of 8.2% was the lowest rate since 2015.

3.2.3 Car parking market

According to the Market Consultant Report, the Core Area of ZJNT has more than 22,000 commercial parking spaces that are located below office buildings and shopping malls in the region, available for public use. In the future, as GDH Finance Center comes into operation, there will be an additional 1,300 parking spaces in the Core Area of ZJNT. The total parking spaces in the area will then exceed 23,000. However, as the new supply of office buildings in the Core Area of ZJNT decreases, new supply of parking spaces in the area will decrease together at the same pace. Parking fees in ZJNT vary based on different types of parking lots. As of Q4 2020, the monthly rent of parking spaces in most Grade A office buildings in the Core Area of ZJNT ranged from RMB1,500-RMB2,200/space per month, or from RMB10-RMB16/space per hour. Some landlords provide special offers for their employees or key business partners at around RMB1,200-RMB1,300/space per month.

Independent Unitholders' attention is drawn to the Valuation Report (Appendix 5A to the Circular) and the Market Consultant Report (Appendix 6 to the Circular) which set out, among other things, (i) further information on the Property; and (ii) information on the market environment and outlook for the commercial property market in Guangzhou and that of ZJNT.

4 Reasons for and benefits of the Acquisition

As stated in the Circular, the Acquisition is in line with Yuexiu REIT's investment objectives and growth strategy, to invest in high quality income-producing commercial real estate in top-tier PRC cities with capital appreciation potential.

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4.1 Prime and rare landmark asset located in the Core Area of ZJNT

Yuexiu Financial Tower, the Property, is a prime and rare landmark asset located in the Core Area of ZJNT in Guangzhou and will be Yuexiu REIT's second premium property in such area. The Core Area of ZJNT is located in the centre of Guangzhou Tianhe central business district, a hub for the financial and high-end service sectors in Southern China. According to the Market Consultant Report, the Property has the highest leasable office space compared to other Grade A office buildings in the area, **located in the Core Area of ZJNT with superior connectivity and accessibility to the existing metro line 3, line 5 and the APM line. Moreover, the Property is 200 metres away from the Xiancun Station, which is the interchange station of the metro line 18 and Phase 2 of line 13. Metro line 18 was newly open on 28 September 2021 and Phase 2 of line 13 is currently under construction and expected to open in 2022.** The opening of these two new metro lines will further enhance the accessibility of the Property. Moreover, the Property has a helipad, which is unique compared to the other Grade A office buildings in Guangzhou and supports flying routes between Guangzhou, Shenzhen and Zhuhai.

According to the Market Consultant Report, the Property is highly competitive in the region given its International Grade A quality, prime location and advanced facilities. It has attracted many high-quality tenants across various industries including business services, finance and information technology. **The Property is now in a stable operating period with average occupancy rate of 92.5% for the nine months ended 30 September 2021 and maintaining at high level. As at 30 September 2021, 14 tenants of the Property are Fortune Global 500 enterprises and contributed 12.6% of the gross rental income of the Property for the month ended 30 September 2021.**

The Property's outstanding, design, quality and infrastructure are widely recognised and won multiple awards including the US Green Building Council LEED EBOM V4 Platinum Certification (美國綠色建築LEED EBOM V4鉑金級), the International WELL Building (IWBI) WELL V2 Platinum Pre-certification (國際WELL建築研究院WELL V2鉑金級預認證) and the China Construction Engineering Luban Award (National Prime-quality Project) (中國建設工程魯班獎(國家優質工程)), with the latter being the highest award for construction quality in the PRC.

4.2 Significant enhancement in Yuexiu REIT's revenue

The Property is expected to **provide an additional source of distributable income; and enhance and enlarge Yuexiu REIT's property portfolio.** Based on the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix 4 to the Circular, the revenue generated by the Target Group for the six months ended 30 June 2021, together with the six-months' contribution from the revenue generated under the Carpark Master Lease Agreement and the Naming Rights Lease Agreement, would increase Yuexiu REIT's portfolio revenue by 24% for the same period. The Property will increase Yuexiu REIT's proportion of office properties in terms of area of ownership from 68% to 73%. As stated in the Letter to the Unitholders, Yuexiu REIT's Enlarged Portfolio is expected to be the largest by valuation compared to the PRC property portfolios owned by other REITs listed in Hong Kong and Singapore. In addition, the Acquisition will reduce the average age of the properties in Yuexiu REIT's portfolio (from 14.2 years to 13.4 years).

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The Manager considers that the Acquisition may **create potential synergies and cross promotional opportunities between Guangzhou IFC and the Property**, which are in proximity to each other.

4.3 Capture the Greater Bay Area and Guangzhou's robust economic fundamentals and growing commercial property market

According to the Market Consultant Report, Guangzhou is the largest city in Southern China and the political, economic and cultural centre and transportation hub of Guangdong Province. Guangzhou's development is strongly supported by policies promulgated by the Central People's Government of the PRC, including the GBA Development Plan and the Belt and Road Initiative. The city's total GDP in 2020 was ranked 4th nationally, with an annual growth rate of 2.7%. The steady growth of economy in the future will drive rental and investment demand for office buildings. According to the Market Consultant Report, the rental rate of International Grade A office space in the Core Area of ZJNT is expected to have a steady growth at 3.2% to 4.4% in between 2022 and 2025, mainly due to the scarcity of office space in the area in the next four years. The Property is well positioned to capitalise on the growth opportunities during the second lease cycle, if the impact of COVID-19 continues to ease.

Based on the Market Consultant Report, the Manager believes that the **International Grade A office market in Core Area of ZJNT has strong potential for growth**. The supply of International Grade A office buildings in Guangzhou has slowed down since 2016. According to Market Consultant Report, Guangzhou has seen the lowest vacancy rate for Grade A office market among the four major first-tier cities in China. In Q2 of 2021, Guangzhou's overall Grade A office vacancy rate was 7.2%, lower than Beijing's 17.5%, Shanghai's 18.8% and Shenzhen's 22.3%. In ZJNT, due to the decreasing supply of Grade A office buildings, the vacancy rate of ZJNT has also been gradually decreasing in recent years and remained at a relatively low level at 7.0% in Q4 of 2020 and 6.4% in Q2 of 2021.

4.4 Potential increase in market capitalisation and improvement in trading liquidity of Units

The Acquisition, which will be partly financed by the Rights Issue, is expected to increase the market capitalisation and enhance the overall liquidity of the Units and Yuexiu REIT's ability to access funding through the public capital markets going forward. The Rights Issue will increase the number of Units in issue by approximately 1,234 million, which is an increase of approximately 37% based on the total number of Units in issue as at the Latest Practicable Date. The increase in the total number of Units in issue and publicly traded is expected to improve the trading liquidity of the Units and broaden the Unitholder base of Yuexiu REIT.

Please refer to the section 7 in the Letter to the Unitholders for further details.

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5 The Acquisition Deed

A summary of the key terms of the Acquisition Deed is set out as follows:

Date:	24 October 2021
Purchaser:	Yuexiu REIT 2018 Company Limited, a BVI business company incorporated in the BVI and a SPV wholly-owned by Yuexiu REIT
Vendor:	Guangzhou Construction & Development Holdings (China) Limited (城市建設開發集團(中國)有限公司), a direct wholly-owned subsidiary of Yuexiu Property
Guarantor:	Yuexiu Property

Yuexiu Property (as guarantor) has unconditionally and irrevocably guaranteed to the Purchaser the due and punctual payment of all amounts payable by the Vendor under the Acquisition Deed and due and punctual performance and observance by the Vendor of all its obligations, commitments, undertakings, warranties and indemnities under or pursuant to the Acquisition Deed.

Interests to be acquired:	Sale Shares, representing the entire equity interest in the Target Company
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Acquisition Consideration:	(1) Share Consideration: the Agreed Acquisition Amount (RMB7,800 million) + the Target Group Adjusted NAV as set out in the Completion Statement;
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plus,

	(2) Repayment Amounts: outstanding amount of the Intercompany Payables as at Acquisition Completion
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where the Target Group Adjusted NAV is mostly attributable to cash and cash equivalents and amounts due to related parties including the Intercompany Payables, which is illustrated in the Letter to the Unitholders as approximately negative RMB7,825.383 million, and the Intercompany Payables, which is expected to be approximately RMB7,800 million immediately prior to Acquisition Completion.

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Payment terms:

At Acquisition Completion, the Purchaser shall pay, or procure the payment of, an amount in cash equal to:

- (i) the “Initial Payment” being the sum of (1) the Agreed Acquisition Amount of RMB7,800 million; and (2) the Target Group Adjusted NAV as set out in the Pro Forma Completion Statement; minus the EIT Withheld Amount of RMB10 million and, if any, the Additional EIT Withheld Amount;
- (ii) the Onshore Repayment Amount; and
- (iii) 100% of the Offshore Repayment Amount, or in the event the Rights Issue Completion has not taken place by Acquisition Completion, 50% of the Offshore Repayment Amount.

In the event Rights Issue Completion has not taken place before Acquisition Completion, within 10 Business Days after Rights Issue Completion, the Purchaser shall settle or procure the settlement of:

- (i) the Deferred Offshore Repayment Amount; plus
- (ii) interest on (i) accrued at a margin of 1.2% per annum over 1-month HIBOR from the Acquisition Completion Date to the date that such amount is paid.

Within 10 Business Days after agreement or determination of the Completion Statement (the draft of which will be prepared based on the audited accounts of the Target Group as at the Acquisition Completion Date as audited by PricewaterhouseCoopers Limited), the True-up Payment shall be payable in the following manner:

- (i) if the Target Group Adjusted NAV (as set out in the Completion Statement) is higher than the Target Group Adjusted NAV (as set out in the Pro Forma Completion Statement), the Purchaser shall pay the difference to the Vendor, without prejudice to the Purchaser’s right to retain and deposit any Additional EIT Withheld Amount into the EIT Segregated Account; or
- (ii) if the Target Group Adjusted NAV (as set out in the Completion Statement) is lower than the Target Group Adjusted NAV (as set out in the Pro Forma Completion Statement), the Vendor shall repay the difference to the Purchaser.

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- Major conditions precedent: Completion of the Acquisition is subject to and conditional upon, amongst others:
- (a) the resolutions approving the Transaction Matters Requiring Approval having been passed by the Independent Unitholders at the EGM;
 - (b) the resolutions approving the Acquisition and the Deferred Units Arrangement Modification having been passed by the YXP Independent Shareholders at the Yuexiu Property GM;
 - (c) the posting of the Rights Issue Offering Documents to Unitholders and all other conditions to the Rights Issue having been fulfilled, save for the grant by the Stock Exchange of approval for the listing of, and permission to deal in, the Rights Issue Units; and
 - (d) the New Bank Facility being in place and sufficient funds being available for drawdown under the New Bank Facility.
- Completion: Completion of the Acquisition shall take place on a mutually agreed Business Day between the Purchaser and the Vendor falling within 10 Business Days after the date on which all the Acquisition Conditions have been fulfilled (or waived, if applicable), or such other date as may be agreed by the Purchaser and the Vendor.
- Representations, warranties and indemnities: The Acquisition Deed contains customary representations and warranties (including fundamental warranties relating to title to the Sale Shares and to the Property, and other warranties relating to tax and compliance with all applicable laws and regulations by the members of the Target Group in conducting their respective businesses) to be made by the Vendor in respect of the members of the Target Group and the Property.
- The maximum aggregate liability of the Vendor in respect of claims under the warranties and Relevant Indemnity Claims shall not exceed the Agreed Acquisition Amount, and is subject to a minimum per claim threshold of RMB3.2 million. Such claims shall only be recoverable from the Vendor if the aggregate amount recoverable in respect of all claims exceeds RMB12 million and the Vendor will be liable for the entire amount.

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The Acquisition Deed also provides for a limitation period of three years from the Acquisition Completion Date for claims under the warranties and Relevant Indemnity Claims (other than those claims relating to tax warranties and the Relevant Indemnity Claims which pertain to tax warranties in which case the limitation period is seven years from the Acquisition Completion Date).

The Acquisition Deed also contains customary indemnities from the Vendor and Yuexiu Property, both of whom have irrevocably undertaken to indemnify, on a joint and several basis, Yuexiu REIT, the Trustee, the Manager, the Purchaser and each member of the Target Group, to the fullest extent permissible by law, for any liabilities, losses, damages, fines, fees, charges, penalties, premiums, expenses and costs (on a full indemnity basis) which any one of them may incur, suffer or sustain as a result of or in connection with the following:

- (i) any tax liability resulting from the Vendor's failure to fully comply with its tax obligations with respect to the Acquisition (together with the tax related claims under (ii) below and the Tax Covenants, the "**Tax Liability Claims**");
- (ii) any acts of, or transactions entered into by any member of the Target Group, before the Acquisition Completion Date (save to the extent that provision in respect thereof has been made in the management accounts of the Target Group or the Completion Statement); and
- (iii) the non-compliances set out in sections 3.6.1 to 3.6.4 in the Letter to Unitholders (the "**Non-compliance Indemnity Claims**").

In addition, the Acquisition Deed contains tax covenants ("**Tax Covenants**") in respect of events occurring on or before Acquisition Completion and PRC Enterprise Income Tax payable by the Vendor in respect of the Acquisition.

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The Vendor's liabilities in respect of any claim made against any indemnity (save for the Relevant Indemnity Claims) shall not be subject to the limitations on the minimum per claim threshold, the aggregate amount recoverable threshold or the maximum aggregate liability set out above. A limitation period of seven years from the Acquisition Completion Date would apply to claims under the Tax Covenants, Relevant Indemnity Claims which pertain to the tax warranties and the indemnities, save for: (a) the Relevant Indemnity Claims that do not relate to tax warranties in respect of which the limitation period shall be three years; and (b) the Non-Compliance Indemnity Claims, in respect of which the limitation period shall end upon the expiry of the land use rights pertaining to the relevant premises of the Property that such claims are concerned.

Please refer to the sub-section 2.2 in the Letter to the Unitholders of the Circular for detailed terms of the Acquisition Deed.

5.1 Related arrangements

On 24 October 2021, (i) Yuexiu Property (as assignor), the Trustee and the Manager entered into the Second Supplemental Indebtedness Agreement in relation to the Deferred Units Arrangement Modification; (ii) the Project Companies entered into the Carpark Master Lease Agreement with the Carpark Master Lessee; and (iii) the Target Company entered into the Naming Rights Agreement with Yuexiu Property. In addition, conditional upon Acquisition Completion, the Manager will declare the Special Distribution. Details of the aforesaid arrangements are set out below:

5.1.1 Modification of Deferred Units Arrangement

As disclosed in the 2012 Circular, the balance of the Guangzhou IFC Consideration shall be satisfied by way of issuance of Deferred Units by Yuexiu REIT to Yuexiu Property (or YXP Nominee) on 31 December of each year, starting on 31 December 2016. Following the issuances of the Deferred Units between 31 December 2016 and 31 December 2020, as at the Latest Practicable Date, the remaining balance of the Guangzhou IFC Consideration is HKD1,597,605,976.

Pursuant to the Indebtedness Agreement, the number of Deferred Units to be issued on 31 December each year to settle the abovementioned balance, when aggregated with the Manager Fee Units to be issued during the period of 12 months after the relevant Deferred Units Issue Date, shall not trigger an obligation on the part of Yuexiu Property (and the parties acting in concert with it) to make a mandatory general offer under Rule 26 of the Takeovers Code for all Units not already owned or agreed to be acquired by them at the relevant time. In the past, the issuance of Deferred Units has been managed and resulted in not more than 2% increase in the aggregate unitholding of Yuexiu Property and its concert parties in Yuexiu REIT within a 12-month period. However, upon Rights Issue Completion, if the Yuexiu Concert Group's voting rights in Yuexiu REIT exceed 50% in which case, it would be no longer subject to the aforesaid 2% requirement. Therefore, the remaining balance of

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the Guangzhou IFC Consideration would be fully settled by issuing 410,808,584 Deferred Units, representing 12.3% of Yuexiu REIT's total number of Units in issue as at the Latest Practicable Date. This is also discussed in section 6.1.5 below. Even if the Yuexiu Concert Group's voting rights in Yuexiu REIT does not exceed 50% following the Rights Issue, as the Rights Issue increases the total number of Units in issue, the number of Deferred Units to be issued each year thereafter will be more than that in the previous years based on the existing formula under the Indebtedness Agreement.

Pursuant to the Second Supplemental Indebtedness Agreement, subject to Rights Issue Completion, the mechanism for the issuance of the Deferred Units under the Indebtedness Agreement shall be modified such that the number of Deferred Units to be issued each year shall be the lower of: (a) the maximum number of Deferred Units that may be issued to Yuexiu Property (or YXP Nominee) which, when aggregated with the Manager Fee Units that are expected to be issued during the period of 12 months after the relevant Deferred Units Issue Date, will not trigger an obligation on the part of Yuexiu Property (and parties acting in concert with it) to make a mandatory general offer under Rule 26 of the Takeovers Code for all Units not already owned or agreed to be acquired by them at the relevant time; and (b) 83,000,000 Units (subject to adjustment for consolidation and sub-division of Units).

The proposed amendment, which provides a cap on the increase of Yuexiu Property and its concert parties' interests by 2% (in the event the Yuexiu Concert Group's voting rights in Yuexiu REIT does not exceed 50% following the Rights Issue) or 83,000,000 Units (which represents 1.8% of the issued Units of Yuexiu REIT following Rights Issue Completion), whichever is lower, each year, avoids a substantial one-off dilution to the existing Unitholders and ensures the dilution effect on the Unitholders capped at the same level as or even lower than that of previous years. On this basis, the Deferred Units Arrangement Modification, in our view, is in the interests of the Yuexiu REIT and the Unitholders as a whole.

5.1.2 Carpark Master Lease Agreement

Pursuant to the Carpark Master Lease Agreement, conditional on Acquisition Completion and subject to the terms under the Yuexiu Leasing Framework Agreement, the Carpark Spaces as a whole will be leased to the Carpark Master Lessee for the period commencing from Acquisition Completion Date to 31 December 2024 for RMB14,180,000 per year. The Carpark Master Lease Agreement may be renewed at the option of the Project Companies after expiry of the initial term, subject to agreement between the parties thereto. The Carpark Master Lessee may itself, or engage another operator to, manage and operate the Carpark Spaces.

For our assessment of the terms of the Carpark Lease Agreement, please refer to section 8.3 below for details.

5.1.3 Naming Rights Agreement

Pursuant to the Naming Rights Agreement, conditional on Acquisition Completion and subject to the terms under the Yuexiu Leasing Framework Agreement, Yuexiu Property will have the naming right of the Property for the period between Acquisition Completion Date and 31 December 2023 for a total cash consideration of RMB60,000,000, which will be payable in five instalments, including one instalment of RMB20,000,000 to be paid on 31 December 2021 and four semi-annual instalments of

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RMB10,000,000 to be paid in 2022 and 2023. Yuexiu Property will have the right to display the names and logo of companies designated by Yuexiu Property at noticeable locations at the Property, and to raise the flags of such companies at appropriate locations within the Property. The exercise of the Naming Rights must not conflict with the operating business of the Project Companies and the name of a competitor of the Project Companies must not be used at the Property pursuant to the exercise of the Naming Rights.

The Naming Rights can only be exercised on the condition that such exercise does not affect the normal operational activities of the Property. Yuexiu Property's entitlement to the Naming Rights may also be terminated by mutual agreement between Yuexiu Property and the Target Company. For further details of the Naming Rights Agreement, please refer to sub-section 3.9.2 in the Letter to the Unitholders.

For our assessment of the terms of the Naming Rights Agreement, please refer to section 8.3 below for details.

5.1.4 Special Distribution

As stated in the Letter to the Unitholders in the Circular, in light of the Acquisition and the Rights Issue, the Manager will, conditional upon Acquisition Completion, declare a Special Distribution of RMB85 million or RMB0.0255 per Unit to Unitholders whose names appear on the register of Unitholders as at the Special Distribution Record Date (being 9 December 2021 if the Transaction Matters Requiring Approval are obtained). The Special Distribution will be funded from Yuexiu REIT's accumulated undistributed cash reserves primarily arising from write-back of construction payables for Guangzhou IFC. The Special Distribution to aforementioned Unitholders will not be subject to their participation in the Rights Issue and subscribers to the Rights Issue Units (save for aforementioned Unitholders) shall not be entitled to the Special Distribution.

5.2 Agreed Acquisition Amount and Appraised Value

The Agreed Acquisition Amount of RMB7,800 million was arrived at on an arm's length basis after taking into account the Appraised Value of RMB8,030 million as at 31 August 2021 as appraised by the Independent Property Valuer (being Colliers International (Hong Kong) Limited, the current principal valuer of Yuexiu REIT). The Agreed Acquisition Amount represents a discount of 2.9% to the Appraised Value.

5.2.1 Valuation methodologies

As stated in the Valuation Report, the Independent Property Valuer adopted the income capitalisation method in arriving at the Appraised Value and cross-referenced by the market approach. The income capitalisation method estimates the value of property by capitalising net rental income (i.e. current passing rental income from existing tenancies and the potential future reversionary income at market level on a fully leased basis) at appropriate rates. In calculating the net rental

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income, deduction is made for outgoings such as property management fees, capital expenditure, vacancy loss, and other necessary expenses (where applicable). The market approach provides an indication of value by comparing the Property with identical or similar assets for which price information is available.

We have discussed the rationale for the adopted valuation methodologies with the Independent Property Valuer and consider that the income capitalisation method cross-referenced by the market approach is an appropriate valuation method for assessing the market value of the Property and is in line with the valuation methodologies not only in Yuexiu REIT's property valuation reports for its 2020 Annual Report and 2021 Interim Report but also in most of other Hong Kong listed REITs'. On this basis, we consider that the adopted valuation methodologies are reasonable and acceptable and are consistent with those currently adopted by Yuexiu REIT.

5.2.2 Valuation bases and assumptions

We have also discussed with the Independent Property Valuer the basis and assumptions in arriving at the Appraised Value. By using the income capitalisation method, the Independent Property Valuer capitalised the income stream of existing leases of the Property as at the valuation date and adding up the capitalised reversionary interests on the assumption that the vacant units are fully let and expired leases are renewed at market rents as at the valuation date. As discussed with the Independent Property Valuer, the adopted capitalisation rates are based on the yields achieved in analysed market sales transactions and the Independent Property Valuer's knowledge of the market expectations of property investors. The Independent Property Valuer considered a number of comparables in Guangzhou for determining the reversionary yields for use in the valuation, out of which Happy Valley Guangzhou (太陽新天地廣場) and R&F Yingsheng Plaza* (富力盈盛廣場) located in ZJNT and Global City Square (環球都會廣場) located in the Core Area of ZJNT are the closest retail, carpark and Grade A office comparables to the respective portion of the Property and their yields are 3.97%, 4.36% and 4.10%, respectively in June 2021. The Independent Property Valuer considered the yields are similar to other first-tier cities within the PRC, and applied the yields approximately the same as the aforesaid close comparables' in the valuation of the office and carpark portions of the Property. For the retail portion of the Property, as the yield of Happy Valley Guangzhou was based on its en bloc transaction (i.e. sale and purchase of the entire property), the Independent Property Valuer has therefore also considered other comparables in ZJNT and adopted 4.35%, which is almost equivalent to the retail comparables' average in ZJNT. The term yields adopted were 0.5% lower than the reversionary yields across all types. We understand from the Independent Property Valuer that the term reflects existing leases with secured and certainties of income stream compared with reversionary period. We noted that the 0.5% yield rate difference is the same as those adopted by other independent valuers as stated in the annual reports of China Merchants Commercial Real Estate Investment Trust (stock code: 1503) and Hui Xian Real Estate Investment Trust (stock code: 87001) and therefore we consider such difference is largely in line with the market practice. We also noted that the adopted yields across different types of the Property are the same as those adopted for Guangzhou IFC as at 31 August 2021 in the valuation report on the Existing Properties for this acquisition exercise, which is set out in Appendix 5B to the Circular.

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For current market rent, the Independent Property Valuer mainly referenced to the asking rental rate of retail shops, office premises and car parking spaces in ZJNT comparable to the Property and make adjustments to the relevant comparables after taking into account the discrepancies between the Property and comparables (e.g. location, age, size, level and building quality). In arriving at the adopted monthly rent, they have considered market rents in Guangzhou and principally referenced to the asking prices of (i) ground level retail shops at R&F Yingtai Plaza* (富力盈泰廣場) and R&F Yingxin Building* (富力盈信大廈); (ii) mid-level office spaces at Leatop Plaza (利通廣場) and Tianying Plaza* (天盈廣場); and (iii) car parking spaces at Agile Center (雅居樂中心), Huimei Building* (匯美大廈) and Tiande Square* (天德廣場), all located in ZJNT. A monthly rent of RMB600 per sq.m., RMB212 per sq.m. and RMB1,600 per lot for ground floor retail, mid-level office and carpark portion, which are close to those of aforesaid comparables, have been applied in the valuation of the Property with adjustments made to different floor levels having referenced to the rental rates of similar floor and/or variances of rental rate between different levels of the comparable properties.

The market approach was used as a supporting approach to cross-check the appraised value of the Property. We are advised by the Independent Property Valuer that comparable sales and purchase of en bloc transactions in ZJNT were collected and, given there were limited transacted deals in ZJNT, the closest comparable is the sale and purchase of a 26-storey office and commercial building (with 4 basement levels), being Zhuguang Tancun Office Building* (珠光譚村寫字樓) located at No. 767 Huacheng Avenue of ZJNT, in December 2020 with a total gross floor area for office and retail portion of approximately 48,528 sq.m (the “**Comparable Property**”). Both the Property and the Comparable Property are Grade A office buildings with retail, office and carpark portions. The Property is located at the central axis of the Core Area of ZJNT and was completed in 2015 whereas the Comparable Property is located near the east-end of ZJNT and was completed in 2019. The ratio of the number of car parking lots to the total rentable area of office and retail portion of the Property and the Comparable Property are 0.486% and 0.587%, respectively. The Comparable Property was sold at around RMB61,500 per sq.m. based on the total rentable area of office and retail portion as compared to the Property of RMB47,181 per sq.m. as appraised by the Independent Property Valuer as at 31 August 2021.

Although the Independent Property Valuer considers the Comparable Property as an en bloc transaction is the most relevant comparable to cross-check the appraised value of the Property, they have also counter-checked the appraised value for each of the retail, office and carpark portions of the Property. In respect of the 4-storey retail portion of the Property, the Independent Property Valuer has considered the actual selling price of the only en bloc 8-storey high shopping mall (with 4-storey basement) comparable in ZJNT, being Happy Valley Guangzhou, of RMB35,363 per sq.m.. As advised by the Independent Property Valuer, the higher appraised unit value of the retail portion of the Property of RMB48,190 per sq.m. as compared to Happy Valley Guangzhou is due to the ground floor of retail premises valued the most and the wider spread of levels of Happy Valley Guangzhou resulting in a lower transacted value per sq.m.. In addition, the Independent Property Valuer also considered the asking prices of two retail comparables, being ground floor retail shops of residential buildings in ZJNT, of RMB170,400 per sq.m. and RMB233,900 per sq.m. around the date of valuation as opposed to the appraised value of the ground floor retail units of the Property of around RMB100,000 per sq.m.. The higher asking prices of the ground floor retail shop comparables is due to street frontage which yield a higher unit value. We are advised by the Independent Property Valuer that, based on their professional knowledge, adjustments have been made to the aforesaid retail

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comparables having taken into account of the difference in the circumstances, being the lower unit value caused by wider spread of levels and higher unit value caused by ground floor retail units with a street frontage, as compared to the retail portion of the Property to arrive at the appraised value. Based on the discussion with the Independent Property Valuer and having cross-checked with the appraised value of the standalone 6-storey shopping mall of Guangzhou IFC of RMB59,858 per sq.m. as at 31 August 2021 as set out in Appendix 5B to the Circular, the appraised value of the 4-storey retail portion of the Property of RMB48,190 per sq.m., in our view, is reasonable. In respect of the office portion of the Property, the Independent Property Valuer has considered the asking prices of two office comparables, being lower and middle floor offices of Grade A office buildings of RMB55,000 per sq.m. (in the Core Area of ZJNT) and RMB65,000 per sq.m. (in ZJNT), respectively, around the date of valuation, which are higher than the appraised value of the office portion of the Property of RMB45,529 per sq.m.. Based on the aforesaid and having cross-checked the appraised value of office portion of Guangzhou IFC of RMB57,977 per sq.m. as at 31 August 2021 as set out in Appendix 5B to the Circular, we consider the appraised value of the office portion of the Property of RMB45,529 per sq.m. to be reasonable. The appraised value for each car parking lot of the Property is RMB327,690 which falls within the range of the asking prices of car parking spaces in ZJNT ranging from RMB300,000 to RMB380,000 collected by the Independent Property Valuer around the date of valuation and is also lower than the appraised value of each car parking lot of Guangzhou IFC of RMB352,319 as at 31 August 2021 as set out in Appendix 5B to the Circular. On these bases, we consider the appraised value of each car parking lot of the Property to be reasonable.

As advised by the Independent Property Valuer, the rental yields of the abovementioned comparables range between 3.97% and 4.36% as opposed to the rental yield of the Property (based on the Appraised Value) of 4.52% and 4.80% for the year ended 31 December 2020 and the six months ended 30 June 2021. This implies that the return of investing in the Property is higher than those of the comparables.

The bases and assumptions adopted in arriving at the Appraised Value using the income capitalisation approach are largely based on objective parameters, including the contractual terms of the tenancies and the market yields of comparable transactions. The Appraised Value is also cross-checked with the direct comparison method (i.e. the market approach) based on actual sales transactions and/or offering of comparable properties. On these grounds and having reviewed and discussed with the Independent Property Valuer on their valuation model and list of comparables and term/reversionary yields adopted, we consider that the bases and assumptions adopted to arrive at the Appraised Value are fair and reasonable and in line with market practice.

5.3 Indemnity claims under the Acquisition Deed

We have reviewed the indemnity claims set out in all the announcements and circulars in relation to property acquisitions and disposal carried out by Yuexiu REIT, which involved both connected persons and independent third parties as the counterparties, since its listing. Based on those announcements and circulars, we noted that (i) the minimum per claim thresholds, if any, accounted for 0.02% - 0.05% of the consideration; and (ii) the minimum aggregate amounts of all claims, if any, accounted for 0.10% - 0.44% of the consideration. The limitation periods for Tax Liability Claims and the Relevant Indemnity Claims which pertain to tax warranties are seven years and the Relevant Indemnity Claims (other than those pertaining to tax warranties) is three years, all of which are

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commonly seen in the acquisitions by other REITs listed in Hong Kong. Non-Compliance Indemnity Claims are subject to a limitation period from the Acquisition Completion Date to the expiries of the relevant land use rights concerning the non-conforming portion of the Property. As confirmed by Independent Property Valuer, they have taken into account the non-conforming uses of certain premises described in sub-section 3.6.1 to 3.6.4 in the Letter to Unitholders by disregarding the rental income generated by the relevant premises pursuant to the valuation standards in arriving at the Appraised Value. Given (i) the minimum per claim threshold and the minimum aggregate amounts of all claims of the Relevant Indemnity Claims, being 0.04% and 0.15% of the Agreed Acquisition Amount respectively, fall within the aforementioned range; (ii) the limitation periods of 3 years (in case of the Relevant Indemnity Claims that do not relate to tax warranties in respect of which the limitation period shall be three years) or 7 years (in case of the tax covenants, Relevant Indemnity Claims which pertain to the tax warranties and the indemnities) under the Acquisition Deed are similar to other transactions of this type; (iii) the limitation period for Non-Compliance Indemnity Claims shall end upon the expiry of the land use right pertaining to the relevant premises of the Property that such claims are concerned; and (iv) the Appraised Value has not taken into any rental income from the non-conforming use of certain areas of the Property, we concur with the Manager that the liability caps and limitation periods are acceptable.

6 Financing of the Acquisition Consideration

According to the Letter to the Unitholders, the Manager intends to fund the Acquisition Consideration as follows:

	Rights Issue Completion before Acquisition Completion RMB'million	Rights Issue Completion after Acquisition Completion RMB'million
Agreed Acquisition Amount	7,800.0	7,800.0
<i>Add: Illustrative Target Group Adjusted NAV⁽¹⁾</i>	(7,825.4)	(7,825.4)
<i>Intercompany Payables⁽⁵⁾</i>	7,800.0	7,800.0
 Acquisition Consideration	 7,774.6	 7,774.6
 Initial completion payment⁽⁴⁾:		
Share Consideration	(25.4)	(25.4)
Onshore Repayment Amount ⁽⁵⁾	800.0	800.0
Offshore Repayment Amount ⁽⁵⁾	7,000.0	3,500.0 ⁽²⁾
	7,774.6	4,274.6

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	Rights Issue Completion before Acquisition Completion RMB'million	Rights Issue Completion after Acquisition Completion RMB'million
To be financed by:		
New Bank Facility	3,687.7	3,448.8
Proceeds from Rights Issue	3,261.1	—
Internal resources	<u>825.8</u>	<u>825.8</u>
	<u><u>7,774.6</u></u>	<u><u>4,274.6</u></u>
Deferred completion payment:		
Remaining Offshore Repayment Amount	—	3,500.0 ⁽²⁾
Add: Illustrative interest amount accruing on the remaining Offshore Repayment Amount	<u>—</u>	<u>4.1⁽³⁾</u>
	<u><u>—</u></u>	<u><u>3,504.1</u></u>
To be financed by:		
New Bank Facility		238.9
Proceeds from Rights Issue	—	3,261.1
Internal resources	<u>—</u>	<u>4.1</u>
	<u><u>—</u></u>	<u><u>3,504.1</u></u>

Notes:

- (1) The illustrative Target Group Adjusted NAV is extracted from the Letter to the Unitholders.
- (2) The Offshore Repayment Amount shall be settled as to 50% as at Acquisition Completion and as to 50% after Rights Issue Completion if the Rights Issue Completion takes place after Acquisition Completion.
- (3) The illustrative interest amount is calculated on the assumption that the Rights Issue Completion will take place one month after Acquisition Completion.
- (4) As stated in the Letter to the Unitholders, the EIT Withheld Amount of RMB10,000,000 and the Additional EIT Withheld Amount (if any) are to be retained by the Purchaser and deposited into the EIT Segregated Account. Such fund will only be released to the Vendor after it has provided the Purchaser with evidence that it has paid that amount of PRC Enterprises Income Tax payable by the Vendor in respect of the Acquisition, provided that the funds remaining in the EIT Segregated Account are equal to or greater than the amount of unpaid taxes the Vendor may be liable for arising out of or relating to the Acquisition.

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- (5) As advised by the Manager, immediately before the Acquisition Completion, the Intercompany Payables, the Onshore Repayment Amount and the Offshore Repayment Amount are expected to be approximately RMB7,800 million, RMB800 million and RMB7,000 million, respectively.
- (6) The Manager also intends to finance the One-Off Fees and Charges by the amounts drawn under the New Bank Facility, which have not been included in the above computation.

The Agreed Acquisition Amount represents a 2.9% discount to the Appraised Value as discussed in section 5.2 above. As set out in the Letter to the Unitholders, the Target Group Adjusted NAV is mostly attributable to: (i) cash and cash equivalents of approximately RMB110,061,000 as at 30 June 2021; and (ii) amounts due to related parties of RMB7,805,735,000, which consists mainly of approximately RMB7,800,000,000 Intercompany Payables. As shown in the above table, Intercompany Payables, being liabilities having been taken into account in computing the Target Group Adjusted NAV, has been added before arriving at the Acquisition Consideration. The Acquisition Consideration is therefore effectively the sum of (i) the Agreed Acquisition Amount; and (ii) the assets and liabilities of the Target Group (other than the Property, deferred assets, deferred tax liabilities arising from the revaluation of, and depreciation allowance relating to, the Property).

It has been a common market practice for the final consideration of a sale and purchase of a company subject to completion account which shall take into account the value of other assets and liabilities as at completion date. We have discussed with the Manager on the Acquisition Consideration and noted that the Agreed Acquisition Amount represents the agreed value of the Property and therefore the Property, the deferred assets and the deferred tax liabilities which are relating to the revaluation of, and depreciation allowance relating to, the Property shall be excluded when determining the Target Group Adjusted NAV. On this basis, we consider the basis in arriving at the Target Group Adjusted NAV and the calculation of the Acquisition Consideration to be fair and reasonable and in the interests of Yuexiu REIT and its Unitholders.

As set out in the Letter to the Unitholders, the intended financing structure is determined taking into consideration, among other things, Yuexiu REIT's working capital sufficiency, optimal level of gearing, financing costs, tenors of various existing indebtedness and dilution of existing Unitholders' ownership interests in Yuexiu REIT as well as possible effects on DPU and net asset value ("NAV") per Unit.

The Manager considered raising funds for the Acquisition in full by way of debt financing. However, funding the Acquisition purely by way of debt financing would significantly increase Yuexiu REIT's debt exposure and result in a Gearing Ratio that is close to the 50% limit permitted under the REIT Code. In order to maintain the low funding costs, Yuexiu REIT has been enjoying with a comfortable headroom before reaching the permitted borrowing limit under the REIT Code, the Manager considers that the Financing Structure, which comprises mainly the New Bank Facility and the Rights Issue, represents the optimal mix of debt and equity financing to fund the Acquisition. Based on the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix 4 to the Circular and the One-Off Fees and Charges, the Manager expects that the Gearing Ratio of Yuexiu REIT to increase from 38.8% as at 30 June 2021 to 41.0% upon Acquisition Completion.

Based on 2021 Interim Report, Yuexiu REIT had cash and cash equivalents of RMB1,770.0 million as at 30 June 2021. We have also reviewed working capital statement set out in Appendix

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1 to the Circular and the cashflow projection of Yuexiu REIT as provided by the Manager and noted that taking into account the expected Acquisition Completion Date and the financial resources available to the Enlarged Group, including its internally generated funds and available banking facilities and the proceeds from the proposed Rights Issue and the availability of certain investment properties free from encumbrance which can be utilised to raise new banking facilities, the Enlarged Group has sufficient working capital for at least the next 12 months.

In the event Acquisition Completion takes place before Rights Issue Completion, 50% of the Offshore Repayment Amount will be settled after Rights Issue Completion and interest on the outstanding amount will be accrued at a margin of 1.2% per annum over 1-month HIBOR from the Acquisition Completion Date to the date that such amount is paid. Taking into account that the average of 1-month HIBOR during the period from 1 January 2021 to 31 October 2021 (being the latest available information) was 0.09752% per annum (source: Hong Kong Monetary Authority), the interest accrued on the remaining Offshore Repayment Amount would be at a rate of approximately 1.29752%, which is lower than the effective interest rates of Yuexiu REIT's existing HKD borrowings of 2.18% as at 30 June 2021.

We have reviewed the asset acquisitions conducted by other REITs listed in Hong Kong and noted that the financing structures involve bank financing, equity financing and internal resources. The equity financing adopted by other REITs normally involve issuance of consideration shares and/or third party placements. However, we consider that the Rights Issue is beneficial to the Unitholders in a number of ways which will be discussed in section 6.1 below.

Having considered (i) the Gearing Ratio upon Acquisition Completion will only slightly increase as compared to the position as at 30 June 2021; and (ii) the Rights Issue is an equitable way to raise equity capital from Unitholders' perspective, the Manager considers and we also concur that the Financing Structure which comprises mainly the Rights Issue together with the New Bank Facility is a prudent and practicable way for Yuexiu REIT to finance the Acquisition.

6.1 Rights Issue and Whitewash Waiver

6.1.1 Principal terms of the Rights Issue

As part of the Financing Structure to settle the Acquisition Consideration, the Manager proposes to raise approximately HKD3,950 million (before expenses) on the basis of thirty seven (37) Rights Issue Units for every one hundred (100) existing Units held on the Rights Issue Record Date by issuing 1,234,403,038 Rights Issue Units at the Rights Issue Subscription Price of HKD3.20 per Rights Issue Unit. A summary of the principal terms of the Rights Issue is set out in the table below:

Basis of the Rights Issue	:	Thirty seven (37) Rights Issue Unit for every one hundred (100) existing Unit held on the Rights Issue Record Date
Rights Issue Subscription Price	:	HKD3.20 per Rights Unit
Number of Units in issue as at the Latest Practicable Date	:	3,336,224,428 Units

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- Number of Rights Issue Units proposed to be issued : 1,234,403,038 Rights Issue Units
- Net proceeds to be raised after the deduction of all estimated expenses : HKD3,919 million
- Conditions : The Rights Issue is conditional upon, amongst others:
- (i) the granting of the Whitewash Waiver by the Executive (and any such grant not having been withdrawn or revoked) and the satisfaction of any condition attached to the Whitewash Waiver granted;
 - (ii) the obtaining the Independent Unitholders' approval for the Transaction Matters Requiring Approval; and
 - (iii) the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms.

Details of the terms and conditions of the Rights Issue are set out in the section 5.2 in the Letter to the Unitholders in the Circular.

Assuming there is no change in the number of Units in issue from the Latest Practicable Date and up to and including the Rights Issue Record Date, the number of 1,234,403,038 Rights Issue Units proposed to be allotted and issued pursuant to the Rights Issue represent (i) 37.0% of the existing issued Units of Yuexiu REIT as at the Latest Practicable Date; and (ii) approximately 27.0% of the existing issued Units of Yuexiu REIT as enlarged by the allotment and issue of a total of 1,234,403,038 Rights Issue Units immediately after Rights Issue Completion.

6.1.2 The Underwriting Agreement and the Placing Agreement

The Underwriting Agreement

As stated in the Letter to the Unitholders in the Circular, the Rights Issue Units (other than those agreed to be taken up by Yue Xiu and Yuexiu Property pursuant to the Irrevocable Undertakings) will be fully underwritten by the Underwriter in accordance with the terms of the Underwriting Agreement. On 24 October 2021, the Manager and Yue Xiu entered into the Underwriting Agreement pursuant to which the Underwriter has conditionally agreed to underwrite 730,822,457 Rights Issue Units (i.e. the Maximum Untaken Rights Issue Units) at nil underwriting commission. The Underwriting Agreement is conditional upon, amongst others, (i) the grant by the Executive of the Whitewash Waiver; and (ii) the Transaction Matters Requiring Approval and the Whitewash Waiver being duly approved by the Independent Unitholders at the EGM. Details of the terms and conditions of the Underwriting Agreement are set out in the sections 5.2.17 to 5.2.19 in the Letter to the Unitholders in the Circular.

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We are advised by the Manager that in order to secure the required funding in respect of the Rights Issue portion, it approached 5 independent securities brokers to act as underwriter to fully underwrite the Rights Issue, but none of them agreed to take up the role at an issue price of HKD3.20 given the prevailing market conditions. The Manager then turned to the Underwriter who is willing to act as the underwriter at the aforementioned price even without receiving any underwriting commission. Furthermore, the Rights Issue being fully underwritten by Yue Xiu and the Irrevocable Undertakings given by Yue Xiu and Yuexiu Property demonstrate strong support from the Yue Xiu Group and their confidence in the future prospects and development of Yuexiu REIT. The comparison with other rights issues in respect of underwriting arrangements is further discussed in section 6.1.3.3 below. On the basis that (i) the Rights Issue forms part of the Financing Structure which has been formulated and determined having considered the overall effect on the Unitholders in terms of both DPU and Unit price; (ii) the Rights Issue Subscription Price of HKD3.20 is slightly lower than the lowest Unit closing price during the Unit Price Review Period as discussed in sub-section 6.1.3.1 below; (iii) no third party potential underwriter that the Manager approached was interested in underwriting the Rights Issue at the Rights Issue Subscription Price; and (iv) no underwriting commission is payable to the Underwriter in respect of the Rights Issue, we consider the underwriting arrangement to be justifiable.

The Placing Agreement

On 24 October 2021, the Manager entered into the Placing Agreement with the Placing Agents (including Yue Xiu Securities, a connected person of Yuexiu REIT), pursuant to which the Placing Agents have conditionally agreed to place the Placing Units on a best effort basis to independent places at the placing price of not less than the Rights Issue Subscription Price and they will receive a placing commission of maximum 1.25% of the gross proceeds from the Placing. The Placing is conditional upon, amongst others, (i) the grant by the Executive of the Whitewash Waiver; and (ii) the Transaction Matters Requiring Approval and the Whitewash Waiver are duly approved by the Independent Unitholders at the EGM. Details of the terms and conditions of the Placing Agreement are set out in the section 5.2.16 in the Letter to the Unitholders in the Circular. The comparison with other rights issues in respect of placing arrangement is further discussed in section 6.1.3.3 below.

We are advised by the Manager that as the Underwriter is Yue Xiu, being an associate of both the Manager and a Substantial Unitholder and therefore a connected person of Yuexiu REIT, the Manager will make the Compensatory Arrangements so as to comply with Rules 7.21(1)(b) of the Listing Rules and therefore no excess application will be provided to the Unitholders. In addition, according to the Manager, if application for excess Units is arranged, additional effort and costs to administer the excess application procedures would be required while the placing procedure would be simpler and placing commission will be incurred only if unsubscribed Units are successfully placed by the Placing Agents. The Compensatory Arrangements would also provide: (i) a distribution channel for the Unsubscribed Rights Issue Units, the NQU Unsold Rights Issue Units and the unsold fractions of the Rights Issue Units for Yuexiu REIT; and (ii) a channel of participation in the Rights Issue for independent investors. On these grounds, we are of the view that the placing arrangement is justifiable.

6.1.3 Analysis of the terms of the Rights Issue

In order to assess the fairness and reasonableness of the terms of the Rights Issue, we have considered the following principal factors based on the Rights Issue Subscription Price:

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6.1.3.1 Review of historical Unit price performance

We have performed a review on the closing prices and trading volume of the Units covering a period from 1 January 2020 up to and including the Latest Practicable Date (the “**Unit Price Review Period**”). We consider that a 22-month coverage is reasonable and sufficient as it provides a general overview of the market sentiment on Yuexiu REIT since the outbreak of COVID-19 in early 2020.

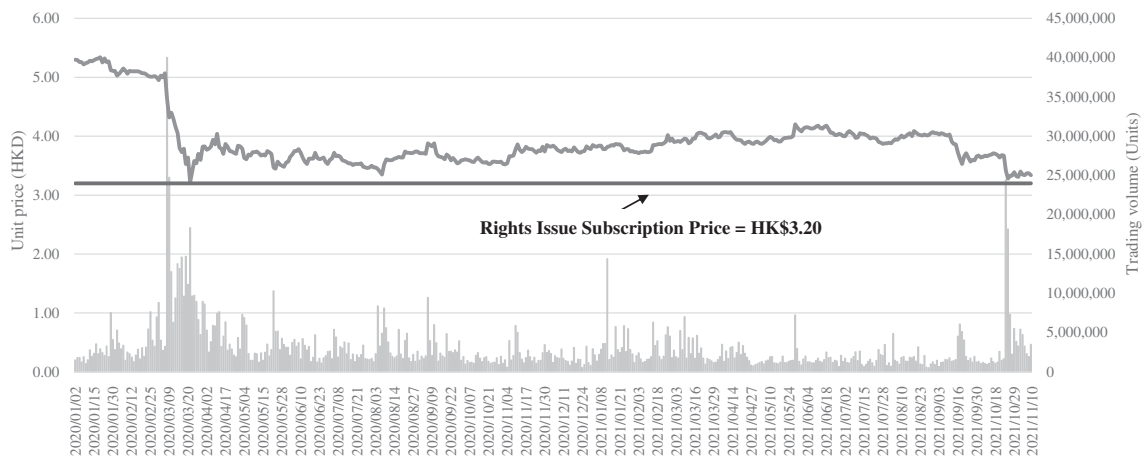
The highest and lowest closing prices and the average daily closing price of the Units in each month during the Unit Price Review Period are shown as follows:

Month	Highest closing price <i>HKD</i>	Lowest closing price <i>HKD</i>	Average daily closing price <i>HKD</i>
2020			
January	5.34	5.11	5.25
February	5.15	5.00	5.07
March	5.07	3.22	4.06
April	4.04	3.70	3.81
May	3.75	3.45	3.64
June	3.78	3.53	3.64
July	3.72	3.46	3.56
August	3.74	3.35	3.61
September	3.88	3.54	3.68
October	3.64	3.53	3.57
November	3.86	3.52	3.72
December	3.85	3.72	3.78
2021			
January	3.87	3.74	3.82
February	4.02	3.71	3.81
March	4.06	3.88	3.97
April	4.07	3.87	3.96
May	4.20	3.87	3.97
June	4.18	4.00	4.11
July	4.09	3.87	3.98
August	4.09	3.88	4.00
September	4.05	3.53	3.82
October	3.71	3.28	3.58
November (up to and including the Latest Practicable Date)	3.40	3.31	3.35

Source: Bloomberg and the Stock Exchange website (www.hkexnews.hk)

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In addition, the chart below illustrates the movements of the Unit closing prices during the Unit Price Review Period:



Source: Bloomberg and the Stock Exchange website

During the Unit Price Review Period, the average daily closing price of the Units ranged from approximately HKD3.56 to HKD5.25 in each month, with the lowest and highest closing prices of the Units, being HKD3.22 recorded on 23 March 2020 and HKD5.34 recorded on 20 January 2020, respectively. The Rights Issue Subscription Price represents a discount of 40.07% to the highest closing price and a discount of 0.62% to the lowest closing price of the Units, respectively. The Units were trading above HKD5.00 in January and February 2020. However, following the release of annual results for 2019 and business updates in early March 2020 relating to the impact of the outbreak of COVID-19 on the financial results of Yuexiu REIT, the Unit price declined significantly and hit its bottom at HKD3.22 on 23 March 2020 before rebounding to around HKD4.00. Save for the aforesaid, the Manager is unaware of any other reasons for such fluctuations. The Units were mostly traded in the region of HKD3.40 to HKD3.80 between mid-April 2020 and late-February 2021. It then hovered around HKD4.00 until mid-September 2021. It then briefly dropped to around HKD3.50 on fear of debt default of other PRC real estate developers before rebounding to the level around HKD3.70. Following the release of the Announcement and up to the Latest Practicable Date, the Units fell below HKD3.50 and mostly fluctuated between HKD3.30 and HKD3.40. The Rights Issue Subscription Price has been determined at a price slightly lower than the lowest closing price during the Unit Price Review Period and represents a discount of 4.19% as compared to the closing Unit price as at the Latest Practicable Date and a discount of 9.03% as compared to the ex-right closing Unit price of HKD3.54 (less the Special Distribution).

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6.1.3.2 Review of the liquidity of the Units

The following table sets out the total trading volume per month and the average daily trading volume per month of the Units during the Unit Price Review Period:

Month	Number of trading days	Total monthly trading volume (Units)	Average daily trading volume during the month (Units)	% of average daily trading volume of the total issued Units ⁽¹⁾	% of average daily trading volume of the total public float ⁽²⁾
2020					
January	20	51,065,617	2,553,281	0.08%	0.13%
February	20	67,025,204	3,351,260	0.10%	0.17%
March	22	256,223,718	11,646,533	0.35%	0.59%
April	19	89,151,022	4,692,159	0.14%	0.24%
May	20	70,087,501	3,504,375	0.11%	0.18%
June	21	56,835,211	2,706,439	0.08%	0.14%
July	22	54,613,967	2,482,453	0.07%	0.13%
August	21	72,174,040	3,436,859	0.10%	0.17%
September	22	65,273,689	2,966,986	0.09%	0.15%
October	18	26,799,470	1,488,859	0.04%	0.08%
November	21	46,609,661	2,219,508	0.07%	0.11%
December	22	38,019,704	1,728,168	0.05%	0.09%
2021					
January	22	71,896,493	3,594,825	0.11%	0.18%
February	18	49,099,706	2,727,761	0.08%	0.14%
March	23	59,205,494	2,574,152	0.08%	0.13%
April	19	40,346,844	2,123,518	0.06%	0.11%
May	20	35,028,798	1,751,440	0.05%	0.09%
June	21	31,085,590	1,480,266	0.04%	0.07%
July	21	34,599,605	1,647,600	0.05%	0.08%
August	22	34,646,241	1,574,829	0.05%	0.08%
September	21	44,303,293	2,109,681	0.06%	0.11%
October	18	75,595,279	4,199,738	0.13%	0.21%
November (up to and including the Latest Practicable Date)	8	28,400,582	3,550,073	0.11%	0.18%

Source: Bloomberg and the Stock Exchange website

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Notes:

- (1) Based on 3,336,224,428 Units in issue as at the Latest Practicable Date.
- (2) Based on 1,975,192,996 Units as held in public hands as at the Latest Practicable Date.

As illustrated from the table above, we noted that the trading volume of the Units was generally thin during the Unit Price Review Period, where the percentages of average daily trading volume of the Units to the total issued Units, ranged from 0.04% to 0.14% except for March 2020 of 0.35%, and to the total public float, ranged from 0.07% to 0.24% except for March 2020 of 0.59%, during the Unit Price Review Period, respectively. We have discussed with and are advised by the Manager that the relatively high trading volume of the Units in March 2020 was probably due to the release of Yuexiu REIT's annual results since the outbreak of COVID-19 as well as the announcement by the Manager on "Update in Relation to COVID-19" on 5 March 2020. Due to the thin trading volume of the Units, certain discount as represented by the Rights Issue Subscription Price to the prevailing market Unit price is offered to enhance the attractiveness of the Rights Issue to the Unitholders. Having considered the fact that the Rights Issue can allow all Rights Issue Qualifying Unitholders an equal opportunity to subscribe for the Rights Issue Units and avoid dilution in their existing unitholdings, the Rights Issue, in our view, is an appropriate way of equity financing for both the Unitholders and Yuexiu REIT.

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6.1.3.3 Comparison with recent rights issues

As pricing basis of equity fund raising exercises are affected by, amongst others, the number of shares or units to be issued as compared to the existing issued share/unit capital, we consider it relevant to look at the rights issue precedents with the basis of entitlement similar to the Rights Issue for comparison purpose. The completion of the Rights Issue will enlarge the number of issued Units by 37%. We have identified a total of 30 rights issue precedents involving companies listed on the Main Board of the Stock Exchange, excluding H-Share companies, announced for the period from 1 January 2021 up to and including the Last Trading Day on the website of the Stock Exchange (<https://www.hkex.com.hk>), out of which 16 rights issue precedents would enlarge the issued share capital of the companies by 30% to 50% (the “**Comparable Rights Issues**”) and all of them are 1-for-2 rights issues. So far as we are aware, no REITs listed in Hong Kong conducted rights issue in the past and therefore, we look at the Comparable Rights Issues which include companies from different industries. The Comparable Rights Issues identified based on the said criteria, to the best of our knowledge, are exhaustive, and, in our view, are appropriate to provide a general overview of the pricing basis of recent rights issues in Hong Kong. Details are set out as follows:

Date of announcement	Company name (stock code)	Basis of entitlement	the share/unit price on the last trading day	%	Discount of subscription price to		the theoretical ex-rights price on the last trading day	%	Underwriting commission	Placing commission	%
					the average price for the five previous consecutive trading days up to and including the last trading day	the average price for the 10 previous consecutive trading days up to and including the last trading day					
27 Jan 21	Esprit Holdings Limited (330)	1 for 2	25.00		25.60	26.04	18.18		1.625%	NA ⁽²⁾	NA ⁽²⁾
5 Feb 21	Bossini International Holdings Limited (592)	1 for 2	23.40		25.31	27.05	16.92		NA ⁽¹⁾	NA ⁽²⁾	NA ⁽²⁾
19 Feb 21	Enterprise Development Holdings Ltd (1808)	1 for 2	49.15		42.20	34.68	39.19		1.000%	NA ⁽²⁾	NA ⁽²⁾
9 Apr 21	Golden Power Group Holdings Limited (3919)	1 for 2	21.43		20.67	19.61	15.38		HKD2.8 million (equivalent to 7.070%)	NA ⁽²⁾	NA ⁽²⁾
28 Apr 21	Sandmartin International Holdings Limited (482)	1 for 2	16.00		16.00	14.81	11.27		NA ⁽¹⁾	NA ⁽¹⁾	2.00

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Date of announcement	Company name (stock code)	Basis of entitlement	the share/unit price on the last trading day %	Discount of subscription price to			the theoretical ex-rights price on the last trading day %	Underwriting commission	Placing commission %
				the average price for the five previous consecutive trading days up to and including the last trading day %	the average price for the 10 previous consecutive trading days up to and including the last trading day %	the average price for the price for the 10 previous consecutive trading days up to and including the last trading day %			
4 May 21	China Investment Development Limited (204)	1 for 2	10.31	11.03	13.76	7.12	2.500%	NA ⁽²⁾	
4 May 21	Coolpad Group Ltd (2369)	1 for 2	41.05	41.18	42.21	31.71	2.500%	NA ⁽²⁾	
11 May 21	China Best Group Holding Limited (370)	1 for 2	45.21	46.95	46.09	35.48	NA ⁽¹⁾	1.50	
13 May 21	Ta Yang Group Holdings Limited (1991)	1 for 2	22.22	21.08	20.23	16.00	NA ⁽¹⁾	NA ⁽²⁾	
20 May 21	China Internet Investment Finance Holdings Limited (810)	1 for 2	51.22	53.05	55.70	41.18	2.500%	NA ⁽²⁾	
11 Jun 21	Lai Sun Garment (International) Limited ("Lai Sun Garment") (191)	1 for 2	65.00	65.04	64.27	55.32	1.000%	NA ⁽²⁾	
14 Jul 21	China Baoli Technologies Holdings Limited (164)	1 for 2	29.82	31.03	31.27	22.08	3.500%	NA ⁽²⁾	
19 Jul 21	Tongda Group Holdings Limited (698)	1 for 2	49.01	50.53	50.64	39.05	the higher of 3.000% and HKD600,000	NA ⁽²⁾	
12 Aug 21	Lai Sun Development Company Limited ("Lai Sun Development") (488)	1 for 2	50.00	49.59	48.61	40.00	2.000%	NA ⁽²⁾	

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Date of announcement	Company name (stock code)	Basis of entitlement	the share/unit price on the last trading day %	Discount of subscription price to			the theoretical ex-rights price on the last trading day %	Underwriting commission	Placing commission %
				the average price for the five previous consecutive trading days up to and including the last trading day %	the average price for the 10 previous consecutive trading days up to and including the last trading day %	the average price for the 10 previous consecutive trading days up to and including the last trading day %			
15 Oct 21	Link-Asia International MedTech Group Limited (1143)	1 for 2	7.83	9.91	10.19	5.36	3.000%	NA ⁽²⁾	
19 Oct 21	Risecomm Group Holdings Limited (1679)	1 for 2	0.48	1.14	0.43	0.32	the higher of 1.000% and HKD600,000	NA ⁽²⁾	
Comparable Rights Issues									
		Minimum	0.48	1.14	0.43	0.32	7.070%	2.00	
		Maximum	65.00	65.04	64.27	55.32	1.000%	1.50	
		Mean	31.70	31.89	31.62	24.66	2.558%	1.75	
	Yuexiu REIT (405)	37 for 100	12.81	12.81	13.04	9.60	Nil	1.25	

Source: Bloomberg and the Stock Exchange website

Note:

- (1) The subject rights issues proceeded on a non-underwritten basis.
- (2) Those rights issues have provided excess application and therefore no placing arrangement has been put in place.

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Amongst the Comparable Rights Issues, Lai Sun Garment and Lai Sun Development had about 68-69% of revenue derived from property business and the rest either did not have any property business or had property business generated less than 50% of their revenue, for the latest full financial year or latest six months period, as the case may be. Both Lai Sun Garment and Lai Sun Development were loss making for the latest six months period with the revenue from investment properties accounted for about 24-25% of their respective total revenue. Given Yuexiu REIT has been profit making and generating recurrent income by holding a portfolio of quality investment properties since its listing, the pricing basis of the Rights Issue, which is materially different from those of Lai Sun Garment's and Lai Sun Development's, i.e. 48-65% discount to their prevailing market prices, the rights issues carried out by Lai Sun Garment and Lai Sun Development are not considered close comparables to the Rights Issue and could only be served to provide a general overview of the pricing basis of recent rights issues in Hong Kong for Unitholders' reference.

In respect of the comparison with the prevailing market prices as set out in the table above, we noted that:

- (i) the discount of the subscription prices to the share prices on the last trading day of the Comparable Rights Issues ranged from 0.48% to 65.00%, with an average discount of 31.70% (the "**LTD Average**"). The discount of 12.81% to the closing price per Unit on the Last Trading Day as represented by the Rights Issue Subscription Price is lower than the LTD Average;
- (ii) the discount of the subscription prices to the average share prices for the five previous consecutive trading days up to and including the last trading day of the Comparable Rights Issues ranged from 1.14% to 65.04%, with an average discount of 31.89% (the "**5-day Average**"). The discount of 12.81% to the average Unit price for the five previous consecutive trading days up to and including the Last Trading Day as represented by the Rights Issue Subscription Price is lower than the 5-day Average;
- (iii) the discount of the subscription prices to the average share prices for the 10 previous consecutive trading days up to and including the last trading day of the Comparable Rights Issues ranged from 0.43% to 64.27%, with an average discount of 31.62% (the "**10-day Average**"). The discount of 13.04% to the average Unit price for the 10 previous consecutive trading days up to and including the Last Trading Day as represented by the Rights Issue Subscription Price is lower than the 10-day Average; and
- (iv) the discount of the subscription prices to the theoretical ex-rights prices on the last trading day of the Comparable Rights Issues ranged from 0.32% to 55.32%, with an average discount of 24.66% (the "**TERP Average**"). The discount of 9.60% to the theoretical ex-rights price per Unit on the Last Trading Day as represented by the Rights Issue Subscription Price is lower than the TERP Average.

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The discounts represented by the issue prices of the Comparable Rights issues to their respective prevailing market prices vary within rather wide ranges despite the discounts represented by the Rights Issue Subscription Price falling within such ranges. This also explains the pricing basis of rights issues in the market vary significantly depending on, amongst others, the business nature, financial performance and prospects of the companies.

However, the Rights Issue is considered an equitable way of equity fund raising method. All Rights Issue Qualifying Unitholders are offered the opportunity to participate in the Rights Issue at the same price so as to maintain their proportionate interests or, if they decide not to take up the Rights Issue Units, to sell their nil-paid Rights Issue Units in the market. Having also considered (i) the Rights Issue Subscription Price was slightly lower than the lowest closing Unit price during the Unit Price Review Period and (ii) the DPU and DPU Yield accretion upon completion of the Acquisition and the Rights Issue as discussed in sub-section 7.1 below, we consider the Rights Issue Subscription Price to be fair and reasonable and in the interests of Yuexiu REIT and its Unitholders as a whole.

Four out of 16 Comparable Rights Issue are on non-underwritten basis and the underwriting commission of the rest ranged from 1.00% to 7.07% of the aggregate subscription price. The Underwriting Agreement, pursuant to which the Underwriter will not receive any underwriting commission, compares favourably to those of such Comparable Rights Issues.

Two out of 16 Comparable Rights Issues, which did not provide any excess application, had placing arrangement and their placing commissions were 1.50% and 2.00%, respectively. The Placing Commission of 1.25% is lower than those of such Comparable Rights Issues.

On the basis that the placing commission is lower than those of the Comparable Rights Issues and the Underwriter will not receive any underwriting commission, we consider the terms of the Underwriting Agreement and the Placing Agreement to be fair and reasonable.

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We have extended our scope of search to the last 10 years for rights issues conducted by REITs listed in Hong Kong but none is identified. We have discussed with the Manager in this regard and are advised that Singapore is one of the biggest and mature REIT markets in Asia with a total of 42 REITs and property trusts including China focused ones and reference has been made by the Manager to the rights issues conducted by Singapore REITs and property trusts when determining the Financing Structure. Therefore, we then performed a search on rights issue conducted by REITs and property trusts listed on the Singapore Exchange Limited in the past three years. A total of seven rights issues are found (the “**SG Comparable Right Issues**”). The SG Comparable Rights Issues identified based the said criteria (i.e. rights issues conducted by Singapore listed REITs and property trusts in the past three years), to the best of our knowledge and as far as we are aware of, are exhaustive.

Date of announcement	Company name (trading code)	Basis of entitlement	Discount of subscription price to				Maximum dilution ⁽¹⁾	Underwriting commission	Placing commission
			the unit price on the last trading day %	the average price for the five previous consecutive trading days up to and including the last trading day %	the average price for the 10 previous consecutive trading days up to and including the last trading day %	the theoretical ex-rights price on the last trading day %			
10 Sep 18	OUE Commercial Real Estate Investment Trust (TS0U)	83 for 100	31.43	32.44	33.04	20.03	45.36	1.80-2.25	NA
22 Oct 18	Keppel-KBS US REIT (now known as Keppel Pacific Oak US REIT) (CMOU)	295 for 1000	30.07	31.51	32.30	24.93	22.78	maximum 1.75	NA
30 Oct 18	Cromwell European Real Estate Investment Trust (CWBU) (“Cromwell”)	38 for 100	31.56	31.81	32.55	25.05	27.54	1.50-2.50	NA
1 Nov 19	Ascendas Real Estate Investment Trust (A17U)	16 for 100	17.03	16.93	16.59	15.04	13.79	1.25	NA
18 Sep 20	Lippo Malls Indonesia Retail Trust (D5IU)	160 for 100	47.83	47.09	47.18	26.07	61.54	Nil	NA

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Date of announcement	Company name (trading code)	Basis of entitlement	Discount of subscription price to				Maximum dilution ⁽¹⁾	Underwriting commission	Placing commission
			the unit price on the last trading day	the average price for the five previous consecutive trading days up to and including the last trading day	the average price for the 10 previous consecutive trading days up to and including the last trading day	the theoretical ex-rights price on the last trading day			
18 Sep 20	IREIT Global (UDIU) ("IREIT")	454 for 1000	32.88	31.66	30.30	25.20	31.22	Nil ⁽²⁾	NA
28 Dec 20	First Real Estate Investment Trust (AW9U)	98 for 100	50.62	51.34	51.69	34.11	49.49	Nil ⁽²⁾	NA
SG Comparable Rights Issues		Minimum	17.03	16.93	16.59	15.04	61.54	2.50	
		Maximum	50.62	51.34	51.69	34.11	13.79	Nil ⁽²⁾	
		Mean	34.49	34.68	34.81	24.35	35.96	1.11 ⁽³⁾	

Source: Bloomberg, the website of the Stock Exchange and the website of Singapore Exchange Limited (<https://www.sgx.com/>)

Note:

- (1) The potential maximum dilution effect of each rights issue is calculated based on the number of rights units issued or to be issued divided by the total number of units as enlarged by the rights issue, assuming all rights units have been/will be allotted and issued times 100%.
- (2) The controlling/substantial unitholder(s) conditionally agreed to undertake all unsubscribed rights issue units at nil commission.
- (3) It is calculated based on the highest commission rate.

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As pricing basis of equity fund raising exercises are affected by, amongst others, the number of shares/units to be issued as compared to the existing issued share capital/units, the basis of entitlement Cromwell and IREIT are close to that of the Rights Issue. The discounts as represented by the Rights Issue Subscription Price to the last trading day, 5- and 10-day average (up to and including the last trading day) and the theoretical ex-rights Unit prices on last trading day are 9.60%-13.04%, lower than those of Cromwell and IREIT across different trading days. The underwriting commission for SG Comparable Rights Issues ranged from nil to 2.50%. None of the SG Comparable Rights Issues had any placing arrangement in place before the underwriters took up the untaken units. Unitholders should note that the pricing of rights issues in Singapore is principally tailored to accommodate the local market which can be different from that of the rights issues in Hong Kong. We therefore present the rights issues conducted by REITs and property trusts listed in Singapore as additional reference for illustration purpose only.

We have discussed with the Manager the entitlement basis of the Rights Issue and the Rights Issue Subscription Price, which are the key factors in affecting Yuexiu REIT's DPU, DPU Yield and NAV per Unit upon Acquisition Completion. Having considered REITs are to provide regular income distribution to investors, the basis of 37 Units for every 100 Units and the Rights Issue Subscription Price of HKD3.20 as determined by the Manager are to achieve both DPU/DPU Yield accretive. However, NAV per Unit would be subject to dilution. These are discussed in section 7 below. The Unit price dropped significantly at the beginning of 2020 due to outbreak of COVID-19 and fell further recently due to the possible default risks facing the PRC property developers. As the drop in share price is normally seen after announcement of rights issue due to theoretical dilution effect, the relatively small discount to the theoretical ex-rights price of the Units as represented by the Rights Issue Subscription Price could help avoid a further significant drop in Unit price after the Announcement but also offers the Unitholders to further invest in Yuexiu REIT at a price which is lower the lowest Unit price during the Unit Price Review Period.

6.1.4 Potential dilution effect of the Rights Issue

The Rights Issue will allow all the Rights Issue Qualifying Unitholders the equal opportunity to subscribe for their respective pro-rata entitlement of the Rights Units and hence avoids dilution in their unitholdings in Yuexiu REIT. Rights Issue Qualifying Unitholders who do not wish to take up their entitlements under the Rights Issue are able to sell the nil-paid rights in the market. Rights Issue Qualifying Unitholders should note that those who do not wish to take up their entitlements and the Rights Issue Non-Qualifying Unitholders will have their unitholdings in Yuexiu REIT diluted immediately after Rights Issue Completion. The possible dilution, in our view, is acceptable as the Rights Issue, which enables all Rights Issue Qualifying Unitholders to participate so as to maintain their proportionate interests or, if they are not interested in taking up the Rights Issue Units, to sell their nil-paid Rights Issue Units in the market, is the most equitable way of equity fund raising and, which forms part of the Financing Structure, enables Yuexiu REIT and the Unitholders to enjoy the benefits brought about by the Acquisition including DPU accretion, which are discussed in section 7 in the Letter to the Unitholders in the Circular. Assuming (a) there is no change in the total number of issued Units from the Latest Practicable Date up to and including Rights Issue Completion (other than the allotment and issue of Rights Issue Units); (b) no subscription by the Rights Issue Qualifying Unitholders (other than Yue Xiu and Yuexiu Property pursuant to the Irrevocable Undertakings) under

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the Rights Issue and no Placing Units are subscribed for by the Placees; and (c) the Maximum Untaken Rights Issue Units are fully taken up by the Underwriter, the voting rights of Yuexiu REIT held by the public Unitholders will decrease from approximately 59.2% to 43.2% of the issued Units as enlarged by the allotment and issue of the Rights Issue Units upon Rights Issue Completion.

Any Unitholders or other person dealing in the Units and/or the Rights Issue Units in their nil-paid form up to the date on which all the conditions of the Rights Issue are fulfilled will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

Unitholders and potential investors are advised to exercise caution when dealing in the Units and/or the Rights Issue Units in their nil-paid form. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own profession adviser(s).

6.1.5 Whitewash Waiver

As at the Latest Practicable Date, the Yuexiu Concert Group was collectively interested in 1,361,031,432 Units, representing approximately 40.8% of the total number of issued Units. Assuming (i) there is no change in the total number of issued Units from the Latest Practicable Date up to and including Rights Issue Completion (other than the allotment and issue of Rights Issue Units); (ii) no Rights Issue Qualifying Unitholders (other than Yue Xiu and Yuexiu Property in respect of the Yue Xiu Entitlement Units and the Yuexiu Property Entitlement Units) subscribes for any Rights Issue Units; and (iii) the Maximum Untaken Rights Issue Units are fully taken up by the Underwriter, the voting rights of Yuexiu REIT held by the Yuexiu Concert Group will increase from approximately 40.8% to 56.8% of the issued Units as enlarged by the allotment and issue of the Rights Issue Units upon Rights Issue Completion (excluding the further issuance of the 2021 Deferred Units on 31 December 2021, which will take place before Rights Issue Completion and will increase the percentage further). As the Underwriter may be required to take up the Maximum Untaken Rights Issue Units pursuant to the Underwriting Agreement which would result in a possible increase in its unitholding by more than 2%, Yue Xiu and Yuexiu Property would be obliged to make a mandatory general offer for all the issued Units and other securities (if any) of Yuexiu REIT not already owned or agreed to be acquired by them under Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive.

Accordingly, Yue Xiu has applied to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Whitewash Waiver by at least 75% of the votes cast by the Independent Unitholders present and voting (either in person or by proxy) by way of a poll at the EGM; and (ii) the approval of the Acquisition, the Underwriting Agreement and the transactions contemplated thereunder by more than 50% of the votes cast by the Independent Unitholders present and voting (either in person or by proxy) by way of a poll at the EGM. If the Whitewash Waiver is not granted by the Executive, or if granted, either the Whitewash Waiver or any of the other Transaction Matters Requiring Approval is not approved by Independent Unitholders, Rights Issue (and the Acquisition) will not proceed.

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Since members of the Yuexiu Connected Persons Group are or will be counterparties to the Acquisition Deed, the Second Supplemental Indebtedness Agreement, the Underwriting Agreement, the Placing Agreement, the Yuexiu Leasing Framework Agreement and the transactions contemplated thereunder, they are considered to have a material interest or deemed material interest in the EGM Resolutions relating to the Matters Requiring Approval. Pursuant to the REIT Code and the Trust Deed, each of Yuexiu Property and Yue Xiu has agreed that it will abstain, and will procure that other members of the Yuexiu Connected Persons Group (including Yuexiu Property, Yue Xiu, Ms. Ou Haijing and Mr. Li Feng) will abstain, from voting on such EGM Resolutions (except pursuant to a proxy where a specific direction by an Independent Unitholder as to voting is given). In addition, pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, as each of (i) the Yuexiu Concert Group; (ii) Mr. Lee Ka Lun, Mr. Lin Feng and Mr. Lin Zhaoyuan, who are all directors of Yuexiu Property; and (iii) DBS Bank Ltd. (the holding company of DBS Asia Capital Limited, being one of the Financial Advisers and the Placing Agents) and BOCI Securities Limited (a wholly-owned subsidiary of BOCI Asia Limited, being one of the Placing Agents) is interested or involved in the Whitewash Waiver, the Acquisition, the Placing Agreement and the Underwriting Agreement, members of the Yuexiu Concert Group and each of the abovementioned persons are required to abstain from voting on the resolution(s) to be proposed at the EGM in relation to the Whitewash Waiver, the Acquisition, the Placing Agreement, the Underwriting Agreement and transactions contemplated thereunder. Members of the Yuexiu Concert Group needing to abstain from voting are interested in an aggregate of 1,361,031,432 Units as at the Latest Practicable Date, representing approximately 40.8% of the Units in issue. As at the Latest Practicable Date, (i) Mr. Lee Ka Lun, Mr. Lin Feng and Mr. Lin Zhaoyuan, who are directors of Yuexiu Property, are interested in an aggregate of 3,345 Units, representing less than 0.1% of the Units in issue; (ii) DBS Bank Ltd. holds 53,300,000 Units (representing approximately 1.6% of the Units in issue) on a proprietary basis; and (iii) BOCI Securities Limited holds 1,317 Units (representing less than 0.1% of the Units in issue) on a proprietary basis.

Having considered that:

- (i) the proceeds from the Rights Issue, which forms part of the Financing Structure, will be used to finance the Acquisition, which represents an opportunity to invest in high quality income-producing commercial real estate in first-tier PRC city in the centre of the Greater Bay Area, enhancing both the proportion of office premises in Yuexiu REIT's portfolio as discussed in section 4 of our letter and Unitholder's investment return as discussed in section 7 of our letter;
- (ii) the Rights Issue is an equitable way of equity fund raising method. All Rights Issue Qualifying Unitholders are offered the opportunity to participate in the Rights Issue so as to maintain their proportionate interests or, if they decide not to take up the Rights Issue Units, to sell their nil-paid Rights Issue Units in the market;
- (iii) due to the thin trading volume of the Units, certain discounts as represented by the Rights Issue Subscription Price to the market Unit Price are offered to enhance the attractiveness of the Rights Issue to the Unitholders. The Rights Issue Subscription Price has been determined at a price slightly lower than the lowest closing price during the Unit Price Review Period;

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- (iv) the discounts as represented by the Rights Issue Subscription Price to the prevailing Unit price across different trading days, which are within the range of the Comparable Rights Issues, in our view, are fair and reasonable;
- (v) the Compensatory Arrangements, which are to procure independent subscribers primarily for the Unsubscribed Rights Issue Units and in compliance with the Listing Rules, have been put before the Underwriting Agreement. The placing commission is lower than those of the Comparable Rights Issues and the Underwriter will not receive any underwriting commission. On these bases, the terms of the Underwriting Agreement and the Placing Agreement are, in our view, fair and reasonable; and
- (vi) the Rights Issue being fully underwritten by Yue Xiu and the Irrevocable Undertakings given by Yuexiu Property and Yue Xiu for subscribing their pro rata entitlement of the Rights Issue signify strong support from the Yue Xiu Group and their confidence in the development and prospects of Yuexiu REIT in the long run,

we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the Rights Issue as well as the Acquisition, is in the interests of Yuexiu REIT and the Unitholders as a whole and is fair and reasonable so far as the Independent Unitholders are concerned.

Unitholders should note that if (i) the Whitewash Waiver is granted by the Executive and approved by the Independent Unitholders; and (ii) the Yuexiu Concert Group's voting rights in Yuexiu REIT exceed 50% as a result of the Rights Issue (including the underwriting arrangements under the Underwriting Agreement), the Yuexiu Concert Group may further increase their unitholdings in Yuexiu REIT without incurring any obligations under Rule 26 of the Takeovers Code to make a mandatory general offer after Rights Issue Completion.

6.2 New Bank Facility

As set out in the Letter to the Unitholders, on 19 October 2021, the Manager has entered into commitment letters with the lender banks which are independent third parties for the provision of a Hong Kong dollar denominated unsecured term loan facility up to an amount not exceeding HKD4,600 million (being equivalent to approximately RMB3,828 million) (i.e. the New Bank Facility), which is intended to be drawn down in full to finance, among others, part of the Acquisition Consideration and/or One-Off Fees and Charges. Each of the lender banks is an independent third party and not a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). The New Bank Facility will bear interest at a margin of 1.3% per annum over HIBOR, and will mature and become repayable in three years from the date on which the New Bank Facility is drawn down.

As set out in the 2020 Annual Report and 2021 Interim Report, the effective interest rates (per annum) of Yuexiu REIT's borrowings and notes in HKD as at 31 December 2020 and 30 June 2021 were 2.28% and 2.18% respectively. Taking into account that the average of overnight to one-year HIBOR during the period from 1 January 2021 to 31 October 2021 (being the latest available information) ranged from 0.04274% to 0.45441% per annum (source: Hong Kong Monetary Authority), the interest rate for the New Bank Facility may lie between approximately 1.34274% and 1.75441% per annum, which is lower than the effective interest rates of Yuexiu REIT's existing HKD borrowings. The New Bank Facility will mature and become repayable in three years from the date on which the New Bank Facility is drawn down. Based on information provided by the Manager, the maturity periods for Yuexiu REIT's offshore bank borrowings as at 30 June 2021 range from 1 to 5

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years which are comparable to that of the New Bank Facility. Having considered that the New Bank Facility of three-year term falls within the range of the maturity periods of Yuexiu REIT's current bank borrowings and the illustrative interest rate of 1.34274% to 1.75441% per annum for the New Bank Facility is within the range of the interest rates of the borrowings for other REITs listed in Hong Kong as disclosed in their respective latest financial reports, we consider the terms of the New Bank Facility to be fair and reasonable.

7. FINANCIAL EFFECTS OF THE ACQUISITION AND THE RIGHTS ISSUE

The pro forma financial effects of the Acquisition and the Rights Issue on DPU, DPU Yield and NAV below are set out for illustrative purposes and unless otherwise stated, were prepared based on (a) the unaudited interim condensed financial information of Yuexiu REIT for the six months ended 30 June 2021; and (b) the audited financial information of the Target Group for the six months ended 30 June 2021 as set out in Appendix 2 to the Circular and other assumptions set out in section 9 in the Letter to the Unitholders.

Unitholders should note that the financial effects of the Acquisition and the Rights Issue are presented on a pro forma basis for illustrative purposes only and are subject to the assumptions set out in Appendix 4 to the Circular. Accordingly, they do not represent the actual financial position of Yuexiu REIT as a result of the Acquisition and the Rights Issue in the future.

7.1 Pro Forma DPU

As set out in the Letter to the Unitholders, the pro forma financial effects of the Acquisition and the Rights Issue on the DPU and DPU Yield for the six months ended 30 June 2021 based on the Unaudited Pro Forma Financial Information of the Enlarged Group as set out in Appendix 4 to the Circular, as if: (i) the Acquisition and the Rights Issue were all completed on 1 January 2021 and Yuexiu REIT had held and operated the Property through to 30 June 2021 under the holding structure set out in section 4.2 in the Letter to the Unitholders, but the Reverse Merger does not complete during such period; and (ii) in addition to (i), the Reverse Merger was completed on 1 January 2021 and Yuexiu REIT therefore alternatively held and operated the Property under the holding structure set out in section 4.3 in the Letter to the Unitholders are as follows:

	Before completion of the Acquisition and the Rights Issue ⁽¹⁾	After completion of the Acquisition and the Rights Issue but before the completion of the Reverse Merger ("Completion without the Reverse Merger") ⁽²⁾	After completion of the Acquisition, the Rights Issue and the Reverse Merger ("Completion with the Reverse Merger") ⁽³⁾
(A) Distributable income (RMB '000)	340,221	471,500	483,186
(B) Issued Units ('000)	3,336,224 ⁽⁴⁾	4,579,505 ⁽⁵⁾	4,579,505 ⁽⁵⁾
(A)/(B) DPU (RMB)	0.1020 ⁽⁶⁾	0.1030 ⁽⁷⁾	0.1055 ⁽⁷⁾
DPU Yield	6.68% ⁽⁸⁾	6.99% ⁽⁹⁾	7.16% ⁽⁹⁾

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Notes:

- (1) Based on the unaudited interim condensed consolidated distribution statement of Yuexiu REIT for the six months ended 30 June 2021 as extracted from the 2021 Interim Report.
- (2) The financial performance of the Enlarged Group is based on: (i) the unaudited interim condensed consolidated financial information of Yuexiu REIT and the audited financial information of the Target Group as at and for the six months ended 30 June 2021; (ii) assuming that the Acquisition and Rights Issue were completed on 1 January 2021 and Yuexiu REIT had held and operated the Property through to 30 June 2021 under the holding structure set out in section 4.2 in the Letter to the Unitholders in the Circular; and (iii) assuming that the Reverse Merger does not complete during the relevant period.
- (3) The financial performance of the Enlarged Group is based on: (i) the unaudited interim condensed consolidated financial information of Yuexiu REIT and the audited financial information of the Target Group as at and for the six months ended 30 June 2021; (ii) assuming that the Acquisition, Rights Issue and Reverse Merger were completed on 1 January 2021 and Yuexiu REIT had held and operated the Property through to 30 June 2021 under the holding structure set out in section 4.3 in the Letter to the Unitholders in the Circular.
- (4) Number of issued Units as at 30 June 2021 plus 16,936,297 issued 1H21 Manager Fee Units issued on 26 August 2021.
- (5) The sum of (i) issued Units as at 30 June 2021; (ii) 16,936,297 Units issued on 26 August 2021 for settlement of 80.0% of the Manager's fee for the six months ended 30 June 2021; (iii) approximately 8,878,000 Units which would be additionally issued for settlement of the remaining 20% of the Manager's fee for the six months ended 30 June 2021; and (iv) 1,234,403,038 Units to be issued for the proposed Rights Issue assuming the Acquisition and Rights Issue was completed on 1 January 2021.
- (6) DPU for the six months ended 30 June 2021 as announced by the Manager on 15 September 2021, which is based on the number of Units in issue on the record date of the 2021 Interim Distribution and includes the Issued 1H21 Manager Fee Units.
- (7) DPU for the six months ended 30 June 2021 is computed based on distributable income divided by the issued Units.
- (8) DPU Yield before Acquisition Completion is computed based on DPU for the six months ended 30 June 2021, on an annualized basis, divided by the closing price of HKD3.67 per Unit on the Last Trading Day.
- (9) DPU Yield after Acquisition Completion is computed based on DPU for the six months ended 30 June 2021, on an annualized basis, divided by the theoretical ex-rights price of HKD3.54 per Unit based on the closing price of HKD3.67 per Unit on the Last Trading Day.

Unitholders should be aware that completion of the Reverse Merger requires certain steps (including but not limited to obtaining requisite approvals from the relevant PRC government authorities) which have not been completed as at the Latest Practicable Date. Although, based on the advice of the PRC Legal Advisers, the Manager expects the Reverse Merger will complete no later than April 2022 and that there will not be any legal impediment to its completion, there is no assurance that the Reverse Merger will complete in or before April 2022 or at all.

For the avoidance of doubt, Yuexiu REIT shall only be entitled to the profits derived from the Property after Acquisition Completion. As Acquisition Completion is expected to take place in December 2021, less than one month of profits derived from the Property during December 2021 will

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be reflected in Yuexiu REIT's annual results (and therefore distributable income) for the financial year ending 31 December 2021, compared to the above pro forma which assumes Acquisition Completion at the start of the pro forma period and profits derived from the Property being accounted for that whole period. Further, although the profits derived from the Property will only be accounted for by Yuexiu REIT to a limited extent for the six months ending 31 December 2021, all Unitholders as at the record date for the distribution in respect of such period, including holders of the Rights Issue Units (as such Units will be issued prior to such record date), will be entitled to the distributable income in respect of such period.

As shown in the table above, Yuexiu REIT's DPU and DPU Yield will increase from RMB0.1020 and 6.68% before completion of the Acquisition and the Rights Issue to RMB0.1030 and 6.99% after Completion without the Reverse Merger and RMB0.1055 and 7.16% after Completion with the Reverse Merger, respectively. This implies that the existing Unitholders will enjoy DPU and DPU Yield accretion upon Acquisition Completion.

7.2 Pro forma net assets attributable to Unitholders per Unit

The pro forma financial effects of the Acquisition and the Rights Issue on net assets attributable to Unitholders per Unit as at 30 June 2021, as if the Acquisition and the Rights Issue were completed on 30 June 2021, are as follows:

	Before the Acquisition	After the Acquisition and the Rights Issue
Net assets attributable to Unitholders (RMB'000)	14,564,303 ⁽¹⁾	17,805,735 ⁽²⁾
Issued Units ('000)	3,336,224 ⁽³⁾	4,579,505 ⁽⁴⁾
Net assets (including net assets attributable to holders of Deferred Units) attributable to Unitholders per Unit (RMB)	4.366	3.888

Notes:

- (1) Based on the unaudited interim condensed consolidated balance sheet of Yuexiu REIT as at 30 June 2021 as extracted from the 2021 Interim Report.
- (2) The financial position of the Enlarged Group is based on: (i) the unaudited interim condensed consolidated financial information of Yuexiu REIT as at 30 June 2021 and the audited financial information of the Target Group as at 30 June 2021; and (ii) assuming the Acquisition and the Rights Issue was completed on 30 June 2021.
- (3) Number of issued Units as at 30 June 2021 and 16,936,297 Units issued on 26 August 2021 for settlement of 80.0% of the Manager's fee for the six months ended 30 June 2021.
- (4) The sum of (i) issued Units as at 30 June 2021; (ii) 16,936,297 Units issued on 26 August 2021 for settlement of 80.0% of the Manager's fee for the six months ended 30 June 2021; (iii) approximately 8,878,000 Units which would be additionally issued for settlement of the remaining 20% of the Manager's fee for the six months ended 30 June 2021; and (iv) 1,234,403,038 Units to be issued for the proposed Rights Issue assuming the Acquisition and Rights Issue was completed on 1 January 2021.

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As illustrated from the table above, the NAV per Unit was approximately RMB4.366 as at 30 June 2021. As stated in the pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2021 set out in the Appendix 4 to the Circular, the net assets attributable to Unitholders, on a pro forma basis, would increase from RMB14,564.3 million to RMB17,805.7 million.

Based on the Financing Structure, the Rights Issue portion will be satisfied by issuing 1,234,403,038 Units at HKD3.20, when aggregated with the Manager's Fee Units, the issued Units will be increased to approximately 4,579,505,000 Units. The net assets attributable to Unitholders per Unit would as a result be diluted from RMB4.366 to RMB3.888. Such dilution is inevitable since the increase of net assets following the Acquisition is not large enough to offset the effect caused by issuing the Rights Issue Units at a discount to the net assets per Unit. On this basis and having considered the illustrative DPU as set out in section 7.1 of our letter, all Rights Issue Qualifying Unitholders are offered equal opportunities to participate in the Rights Issue and other reasons and benefits set out in the above sections, we consider the financial effects of the Acquisition on net assets attributable to Unitholders per Unit to be acceptable.

8. Continuing Connected Party Transactions

8.1 Background

As stated in the Letter to the Unitholders, on 24 November 2020, Yuexiu REIT published CCPT Waiver Circular in relation to, among other things, the 2020 Extended Waiver. However, on 4 December 2020 and before the EGM was held to approve the 2020 Extended Waiver, the REIT Code was amended to, among other things, broadly align the requirements applicable to connected party transactions of REITs with the requirements for companies listed on the Stock Exchange. As a result of such amendments, the 2020 Extended Waiver was no longer required. As stated in the announcement of Yuexiu REIT dated 9 December 2020, the New Continuing Connected Party Transactions (as defined in the CCPT Waiver Circular) will comply with requirements under the REIT Code (as revised) (including disclosure in annual reports of Yuexiu REIT, auditors' review procedures and annual review by the INEDs). The 2020 Extended Waiver shall continue to apply until its expiry or until otherwise modified or revoked. Accordingly, the New Continuing Connected Party Transactions (as defined in the CCPT Waiver Circular) will also remain subject to the annual caps for the years ending 31 December 2021, 2022 and 2023 as set out in the CCPT Waiver Circular.

Notwithstanding this, having regard to the additional continuing connected party transactions to be assumed and entered into or renewed from time to time by Yuexiu REIT as a result of the Acquisition Completion, on 24 October 2021, the Manager entered into the Yuexiu Leasing Framework Agreement, the Yuexiu Tenancy Services Framework Agreement and the Yuexiu Property Management Framework Agreement (i.e. the Yuexiu Framework Agreements) which set out the framework terms governing respectively the Connected Leasing Transactions, Connected TSAs and Connected PMAs (collectively, the Yuexiu Continuing CPTs). Each of the Yuexiu Framework Agreements will be for a term of two years from 1 January 2022 to 31 December 2023, and will be, together with the Yuexiu Continuing CPTs contemplated thereunder, regulated with reference to Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). For the avoidance of doubt, the existing annual caps for the year ending 31 December 2021 will not be exceeded and will continue to apply even if that Acquisition Completion takes place on or before 31 December 2021 and the new Yuexiu Continuing CPTs pertaining to the Property are assumed or

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entered into by Yuexiu REIT upon Acquisition Completion. Accordingly, if the EGM Resolutions in relation to the Matters Requiring Approval are passed at the EGM and the Acquisition completes on or before 31 December 2021 (as it is currently contemplated), the 2020 Extended Waiver will be revoked at the commencement date of the Yuexiu Framework Agreements (being 1 January 2022) and the annual caps thereunder will be replaced by the Revised Annual Caps for the corresponding transactions set out in the Yuexiu Framework Agreements.

8.2 Reasons for, and benefits of the Yuexiu Leasing Framework Agreement

As set out in the Letter to the Unitholders, given the sizeable and established operations of the members of the Yuexiu Connected Persons Group, the leasing of the Existing Properties to members of the Yuexiu Connected Persons Group has provided a stable source of rental income to Yuexiu REIT. The Manager considers that the leasing of the Property after Acquisition Completion to members of the Yuexiu Connected Persons Group would similarly provide Yuexiu REIT with a group of reliable tenants and a reliable source of rental income on normal commercial terms. The Manager takes the view that the leasing of the Enlarged Portfolio to members of the Yuexiu Connected Persons Group would be in line with Yuexiu REIT's key investment objective to provide Unitholders with stable distributions through investing in income producing real estate.

In addition, the Manager considers that the Yuexiu Leasing Framework Agreement can set out a framework and streamline the leasing processes in respect of the Enlarged Portfolio and is therefore conducive to the continuous growth and operations of, and will generate recurrent rental income for, Yuexiu REIT. Further, the Manager is of the view that the Yuexiu Leasing Framework Agreement can provide a basis on which Yuexiu REIT will comply with the relevant reporting, announcement and annual review requirements (to the extent applicable) in compliance with the REIT Code and the Listing Rules, thereby reducing the ongoing administrative and compliance costs upon Yuexiu REIT in respect of the Connected Leasing Transactions which are entered into in its ordinary and usual course of business. Accordingly, the Manager considers and we also concur that the Yuexiu Leasing Framework Agreement is beneficial to Yuexiu REIT and its Unitholders as a whole.

8.3 Yuexiu Leasing Framework Agreement

As part of Yuexiu REIT's ordinary and usual course of business, the Yuexiu REIT Group is either already a party to, or may from time to time enter into or renew leasing and licensing transactions with the Yuexiu Connected Persons Group in respect of the Enlarged Portfolio owned by Yuexiu REIT (i.e. the Connected Leasing Transactions, which for the avoidance of doubt, include those pertaining to the naming rights of certain properties owned by Yuexiu REIT). In addition to the Connected Leasing Transactions in respect of the Existing Properties, the Connected Leases, the Carpark Master Lease Agreement and the Naming Rights Agreement entered or to be entered into by the members of the Target Group will, upon Acquisition Completion, be assumed by Yuexiu REIT, and the Project Companies which are direct owners of the Property are either parties to, or may from time to time enter into or renew Connected Leasing Transactions with the Connected Tenants and other members of the Yuexiu Connected Persons Group in respect of the Property.

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As the transactions contemplated under the Connected Leasing Transactions (including the Connected Leases, the Carpark Master Lease Agreement and the Naming Rights Agreement upon Acquisition Completion) constitute continuing connected party transactions of Yuexiu REIT, the Manager entered into the Yuexiu Leasing Framework Agreement with GZYX on 24 October 2021 subject to the passing of the EGM Resolutions in relation to the Matters Requiring Approval. The subsidiaries of Yuexiu REIT (as landlords) will enter into or renew individual leases with the Connected Tenants and other members of the Yuexiu Connected Persons Group from time to time consistent with the Yuexiu Leasing Framework Agreement.

Principal terms of the Yuexiu Leasing Framework Agreement

The principal terms of the Yuexiu Leasing Framework Agreement are set out below:

Date	:	24 October 2021
Parties	:	The Manager as the landlord or licensor GZYX for itself and on behalf of its subsidiaries as tenant or licensee
Subject transaction	:	Leasing transactions in respect of the Enlarged Portfolio
Term	:	A term of two years from 1 January 2022 to 31 December 2023 which is automatically renewable for a successive period of two years thereafter (or for any other period which may be shorter or longer than two years as the parties may agree otherwise, provided that such other period will not be longer than three years)
Pricing policy	:	Pursuant to the Yuexiu Leasing Framework Agreement, each party thereto agrees that, and agrees to procure the relevant contracting parties to the Connected Leasing Transactions to ensure that, each Connected Leasing Transaction shall be entered into or otherwise conducted: (a) in writing; (b) on an arm's length basis and in the ordinary and usual course of business of Yuexiu REIT; (c) on normal commercial terms or better (as defined under Rule 14A.06 (26) of the Listing Rules) that are fair and reasonable and in the best interests of the Unitholders;

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- (d) at a rent that is determined by reference to the then current open market rent at the commencement date of the term of the relevant Connected Leasing Transactions which would be paid by a willing tenant to a willing landlord for similar premises in a similar development; and
- (e) in compliance with the terms of the Yuexiu Leasing Framework Agreement and all applicable provisions of the REIT Code, the Listing Rules and the Trust Deed.

Offices and shops:

We reviewed (i) a schedule of all leasing transactions of Yuexiu Financial Tower setting out their details as at 30 June 2021; (ii) 15 sample Connected Leasing Transactions relating to offices and shops which have been randomly selected by us and cover (i) both offices and shops and (ii) lower, mid- and higher floors and the independent rental valuation reports prepared by the Independent Property Valuer for those Connected Leasing Transactions; and (iii) 15 selected independent leases entered into with independent third parties (the “**Independent Leases**”) which also cover offices and shops and corresponding floor types. Given that the samples selected have covered all property types and floor types, we consider they are sufficient and appropriate.

Based on our review of Independent Leases and the independent rental valuation reports, we noted that: (i) the selected leases (sample Connected Leasing Transactions and sample Independent Leases) agreed to the schedule provided by the Manager; (ii) the independent valuation reports mentioned above had confirmed that the Connected Leasing Transactions relating to offices and shops were at market rates when the leases were entered into; and (iii) the terms (e.g. rental fees, deposit and break clauses) of the Connected Leasing Transactions in relation to shops and offices are generally comparable to those of the Independent Leases. Having considered that (i) the Connected Leasing Transactions subsisting as at the Latest Practicable Date were at market rates when the leases were entered into as set out in the independent valuation reports prepared by the Independent Property Valuer; and (ii) the terms (including the rental fees, deposits and break clauses) of the Connected Leasing Transactions are generally comparable to those of the Independent Leases, we consider the terms of these Connected Leasing Transactions in relation to offices and shops, which are carried out at arm’s length and on normal commercial terms and consistent with the investment objectives and strategy of Yuexiu REIT, to be fair and reasonable and in the interests of Yuexiu REIT and its Unitholders as a whole.

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Carpark:

We have (i) reviewed the Carpark Master Lease Agreement; (ii) reviewed the carpark rental valuation report prepared by the Independent Property Valuer; and (iii) carried out a search on the rental rate of carparking spaces of office buildings which are located in ZJNT and near the Property (the “**Independent Carpark Leases**”) as there is no independent carpark leases entered into between the Projects Companies and independent third parties.

The Carpark Spaces as a whole, subject to Acquisition Completion, will be leased to the Carpark Master Lessee for the period commencing from the Acquisition Completion Date to 31 December 2024 at a consideration of RMB14,180,000 per year or a monthly rental of RMB1,429 per lot. The independent valuation reports mentioned above had confirmed that the rental rate under the Carpark Master Lease Agreement was at market rate. Such rate also falls within the range of the rental rates of the Independent Carpark Leases that we have reviewed. However, we noted that the monthly rental rate of the Carpark Spaces represented a discount of 10.7% to the reversionary carpark rate of RMB1,600 per lot used in the valuation of the Property. We have discussed with the Independent Property Valuer and were advised that no carpark master lease transaction records are available in the market. We have therefore adopted an alternative approach to assess whether such discount or 10.7% implied profit margin of the Carpark Master Lessee is fair and reasonable. We have carried out a search on the profit margins of Hong Kong listed carpark operators whose business are mainly in the PRC and noted that profit margins of such Hong Kong listed carpark operators ranged from 19.2% to 29.7%, which are higher than the discount of 10.7% provided for under the Carpark Master Lease Agreement. Based on the above, we consider the rental under the Carpark Master Lease Agreement, which are carried out at arm’s length and on normal commercial terms and consistent with the investment objectives and strategy of Yuexiu REIT, to be fair and reasonable and in the interests of Yuexiu REIT and its Unitholders as a whole.

Naming Rights:

We have discussed with the Manager and are advised that the consideration for the Naming Rights Agreement was determined with reference to the terms under similar naming rights arrangement previously entered into relating to the acquisition of Guangzhou IFC in 2012. The consideration for the naming rights of Guangzhou IFC was RMB50 million at such time and the grantee should continue to enjoy such right unless it ceased to be one of the top ten tenants of Guangzhou IFC. It was an one-off transaction. In addition, Guangzhou IFC remains being named as it was without “Yuexiu” which is different from “Yuexiu Financial Tower”, the subject Property, and therefore may only serve as general reference only.

Given the granting of the building naming rights is normally an inducement used by landlords to secure a reliable and major tenant in a commercial building and the consideration for the Naming Rights for a period of three years is RMB60 million, the Manager considers, and we concur, that the granting of Naming Rights to Yuexiu Property, which is one of the anchor tenants of the Property, at the consideration of RMB60 million (i) generates an additional stream of income to the Project Company; (ii) are carried out at arm’s length and on normal commercial terms and consistent with the investment objectives and strategy of Yuexiu REIT; and (iii) is fair and reasonable and in the interests of Yuexiu REIT and its Unitholders as a whole upon Acquisition Completion.

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8.4 The Revised Annual Caps

The historical transaction amounts and the Revised Annual Caps in respect of the Connected Leasing Transactions are set out in the table below:

Categories of the New Connected Party Transactions	Historical Transaction Amounts			Revised Annual Caps		
	<i>RMB '000</i>			<i>RMB '000</i>		
	For the year ended 31 December			For the six months ended 30 June	For the year ending 31 December	
	2018	2019	2020	2021	2022	2023
Connected Leasing Transactions ^(Note)	249,799	277,147	247,583	122,425	583,994	649,195

Note: The historical transaction amounts set out in the table relate to the Existing Properties only.

As advised by the Manager, the Acquisition is expected to be completed in December 2021 and thus only one-month connected leasing transaction amount in respect of the Property will be included into the Connected Leasing Transactions amounts. It is expected that the additional connected leasing transactions upon Acquisition Completion will not exceed the 2021 annual cap but the 2022 and 2023 annual caps previously obtained for the Connected Leasing Transactions. The proposed Revised Annual Caps for the financial years ending 31 December 2022 and 2023 are set out in the below table:

RMB'000	For the year ending 31 December	
	2022	2023
Previous annual caps	425,779	468,441
Projected Connected Leasing Transaction amounts in respect of the Property	143,832	164,321
Buffer (10% in respect of the Property)	14,383	16,433
Revised Annual Caps	583,994	649,195

Note: Due to rounding, the figures do not add up to the totals.

In assessing the aforesaid basis of the Revised Annual Caps, we have reviewed the terms of (i) 15 sample Connected Leasing Transactions and 15 samples of Independent Leases relating to lower, mid- and higher floor offices and shops which have been randomly selected by us; (ii) the Carpark Master Lease Agreement; and (iii) the Naming Rights Agreement which we consider to be sufficient for our analysis on the Revised Annual Caps, and we noted that the computation of projected Connected Leasing Transaction amounts in respect of the Property for 2022 — 2023 is agreed to the rental of aforesaid existing lease agreements. Where a Connected Leasing Transaction expires during 2021 - 2023, the Manager has assumed that the Connected Leasing Transaction in respect of the

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Property will be renewed at a new rental cycle which is 6% higher than the last rental rate for the expired/expiring leases, which is within the range of the rental rate increments as stipulated in the lease agreements of the randomly selected Connected Leasing Transactions. Given that the 6% increment in a new rental cycle is within the range of the rental rate increments from all Connected Leasing Transactions and Independent Leases as set out in the schedule of leasing transactions as provided by the Manager, we consider the basis of estimating the rental income derived from the Connected Leasing Transactions in respect of the Property for 2022-2023 including the 6% increment in a new rental cycle, which are conducted at arm's length and on normal commercial terms and consistent with the investment objectives and strategy of Yuexiu REIT, to be fair and reasonable and in the interests of Yuexiu REIT and its Unitholders as a whole.

In determining the Revised Annual Caps for the two years ending 31 December 2023, the Manager applied a buffer of 10% to the estimated rental income as discussed above. Based on the information provided by the Manager, the Independent Leases to be expired in 2022 and 2023 accounted for about 7.8% and 21.5% of total rentable area of the Property and the vacant spaces accounted for 6.2% of the office section of the Property as at 30 September 2021. In the event the Yuexiu Connected Persons Group decides to take up additional spaces which are currently vacant and about to expire in 2022 and 2023, such additional Connected Leases are expected to account for more than 8.4% and 19.7% of the total gross rental income of the Property in 2022 and 2023 set out in the above table. We consider that the additional 10% can provide buffer or contingency to accommodate possible fluctuations resulting from any changes in rental or other market conditions and to facilitate any additional Connected Leasing Transactions to be entered into by Yuexiu REIT during the relevant financial periods. After taking into account the above factors, and also considering that the buffer of 10% (i) allows for contingencies to accommodate possible fluctuations resulted from any changes in rental or other market conditions and the potential increase in Connected Leasing Transactions in respect of the Property; and (ii) is within the range of the buffers between 1.3% and 49% normally adopted by other REITs listed in Hong Kong for comparable annual caps in relation to office and retail leases, we consider the inclusion of a buffer of 10% for the purpose of determining the Revised Annual Caps to be fair and reasonable.

8.5 Internal control

As set out in the Letter to the Unitholders, the Manager has established an internal control system to ensure that connected party transactions between the Yuexiu REIT Group and the Yuexiu Connected Persons Group are monitored and that such transactions are undertaken on terms in compliance with the REIT Code. As required by the REIT Code, all connected party transactions must, among other things, be carried out at arm's length, on normal commercial terms and in the interests of Unitholders. The following internal control measures are in place to ensure that such transactions satisfy the foregoing criteria:

- (a) The Manager maintains a register to record all connected party transactions which are entered into by members of the Yuexiu REIT Group and where applicable, the bases, including quotations from independent third parties and/or independent valuations obtained to support such bases, on which they are entered into. The Manager will review the quotations to ensure reasonableness having regard to the scale, scope and quality of services required, and the reputation, experience and track record of performance of the service providers.

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- (b) The register of connected party transactions is reviewed by the Manager on a quarterly basis to ensure the relevant annual caps are not exceeded.
- (c) As a general rule, the Manager will demonstrate to the Audit Committee of the Board that all connected party transactions are carried out at arm's length, on normal commercial terms and in the interests of Unitholders. In particular, the Audit Committee is provided with a summary of the connected party transactions including their transaction amounts on a half-yearly basis.
- (d) The internal auditor of the Manager will review all connected party transactions entered into by the Yuexiu REIT Group on an annual basis. The Manager will incorporate into its internal audit plan a review of all connected party transactions entered into by the Yuexiu REIT Group

Given that (i) the Manager has established internal control system to monitor the connected party transactions between the Yuexiu REIT Group and the Yuexiu Connected Persons Group; (ii) as discussed in the section 8.3, the terms of the connected leasing transactions in respect of the Property were on normal commercial terms and no less favorable than those of the independent third parties; and (iii) the INEDs and the auditors will, pursuant to the REIT Code and Rule 14A of the Listing Rules (as modified under the REIT Code), review each of those transactions contemplated under the Yuexiu Framework Agreement has been entered into (a) in the ordinary and usual course of business of the Yuexiu REIT Group; (b) on normal commercial terms or better; and (c) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of Yuexiu REIT and the Unitholders as a whole, we are of the view that adequate measures have been put in place to ensure the transactions contemplated under the Yuexiu Leasing Framework Agreement are conducted on normal commercial terms.

9 Risk factors

Attention is drawn to the Independent Unitholders that investment in real estate involves risks. Independent Unitholders are recommended to consider carefully, together with all other information in the Circular, the risk factors in relation to the Acquisition as disclosed in Appendix 7 to the Circular which are generally in line with the risk profile of Yuexiu REIT as a unit trust that invests primarily in income-producing real estate assets.

The Independent Unitholders should also be aware that the Acquisition Consideration shall be financed partly by the New Bank Facility. Subject to the negotiation, the loan agreement in respect of the New Bank Facility is expected to be entered into before Acquisition Completion. Therefore, the actual terms and conditions of the New Bank Facility may differ from the indicated terms as set out in the Circular. To the extent that there are any material changes to the indicative terms and conditions described in the Circular, the Manager will issue an announcement to provide details of such changes.

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DISCUSSION AND ANALYSIS

Yuexiu REIT, listed since December 2005, primarily owns and invests in high quality income-producing commercial real estate in top-tier cities in the PRC. Since 2012, it has been ramping up its property portfolio by acquiring high quality commercial properties comprising Grade A office at prime locations and phasing out minor ageing property, if opportunities arise. Yuexiu REIT acquired Guangzhou IFC in 2012, Shanghai Yue Xiu Tower in 2015, Wuhan Property in 2017 and Hangzhou Property in 2018, which altogether accounted for 71.7% of the total revenue in 2020. Guangzhou IFC itself contributed 52.9% of the total revenue in 2020.

The property market has been influenced by the COVID-19 pandemic. In Yuexiu REIT's portfolio, different types of buildings have exhibited different trends in terms of average monthly rent in the past three years. White Horse Building Units, a fashion wholesale shopping mall in Liuhua business district of Guangzhou, was a successful investment of Yuexiu REIT, being fully occupied most of the time until 2019. Following the outbreak of COVID-19, its average monthly rent was badly hit to record a 15.3% year-on-year decrease in 2020. In response, the Manager has formulated strategies to stimulate consumption and enhance tenants' retention in order to deliver long-term sustained performance growth and stable rental returns. The office buildings under Yuexiu REIT, which are concentrated in the core areas of top-tier cities of the PRC, showed significant resilience in respect of average monthly rents amid the pandemic.

The Property is a 68-storey above-ground Grade A office building which, with its outstanding design, quality and infrastructure, has won multiple international awards. It is located in the Core Area of ZJNT, about 1 km away from Guangzhou IFC and has high accessibility to the existing metro line 3, line 5, the APM line, and the metro line 18 and Phase 2 of line 13 which is about to open in 2022. The total rentable area of the office portion of the Property is 166,378.62 sq.m., only slightly less than the office portion of Guangzhou IFC. The Property's office portion is 93.8% occupied and the retail portion is fully occupied. Upon Acquisition Completion, all the Carpark Spaces will be leased to connected persons at a market rate for three years until 31 December 2024. The Acquisition will enable Yuexiu REIT to hold a portfolio of two landmark office buildings in the Core Area of ZJNT. With the Property being currently in a stable operating period and its occupancy rate maintaining at a high level, the proportion of office premises in Yuexiu REIT portfolio will be enhanced and enlarged upon Acquisition Completion.

Upon either the Acquisition Completion or the Acquisition becoming unconditional, (i) the Unitholders whose names appear on the register of Unitholders as at the Special Distribution Record Date will receive a Special Distribution of RMB0.0255 per Unit; (ii) the Property will benefit from a naming rights fee of RMB60 million from Yuexiu Property; and (iii) the Deferred Units arrangement under the Second Supplemental Indebtedness Agreement, which is related to the acquisition of Guangzhou IFC in 2012, will be modified to ease pressure on the unitholding dilution to the existing Unitholders after Acquisition Completion. As (i) the Special Distribution will provide an earlier return on Unitholders' investment in Yuexiu REIT; (ii) the naming rights fee represents an additional stream of income to the Target Group; and (iii) the Deferred Units arrangement avoids a heavy one-off dilution to the existing Unitholders and ensures the dilution effect on the Unitholders capped at the same level as or even lower than that of previous years, these arrangements, taken as a whole, are beneficial to Yuexiu REIT and its Unitholders.

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The Agreed Acquisition Amount is RMB7,800 million, which represents a discount of 2.9% to the Appraised Value. The Acquisition Consideration will be financed by a combination of the New Bank Facility, the Rights Issue and internal resources. As advised by the Manager, after the conditions precedent under Acquisition Deed have been satisfied, Acquisition Completion could take place before Rights Issue Completion.

As regards the New Bank Facility, the illustrative interest rate is lower than the effective interest rate of Yuexiu REIT for the six months ended 30 June 2021. The Gearing Ratio will be slightly increased from 38.8% as at 30 June 2021 to 41.0% upon Acquisition Completion. In our view, the Rights Issue is the most equitable way of raising the required equity fund. A basis of 37 Rights Issue Units for every 100 existing Units is proposed at an issue price of HKD3.20 which is slight discount to the lowest Unit closing price since 1 January 2020. The slightly lower than the lowest closing Unit price during the Review Period, on the one hand, offers an opportunity for Unitholders to subscribe for the new units at an attractive price and, on the other hand, helps avoid a further significant drop in Unit price after the Announcement as drop in share price is normally seen after announcement of rights issue due to theoretical dilution effect. The Rights Issue will be underwritten by Yue Xiu without any underwriting fee and, in the absence of excess applications, a placing arrangement has been put in place with a connected person being one of the Placing Agents. The placing commission is lower than those of the Comparable Rights Issues. The basis of entitlement with 37 Rights Issue Units for every 100 Units is rather unusual for rights issues in Hong Kong but is commonly seen for Singapore REITs and property trusts as illustrated in the tables in section 6.1.3.3. The Financing Structure including the terms of the Rights Issue, as advised by the Manager, has been formulated and determined having considered the overall effect on the Unitholders in terms of both DPU and Unit price. As set out in section 7.1, DPU is expected to increase slightly from RMB0.1020 before completion of the Acquisition and the Rights Issue to RMB0.1030 after Acquisition Completion without the Reverse Merger and further increase to RMB0.1055 after Acquisition Completion with the Reverse Merger. On these basis, we concur with the Manager that the adoption of the Financing Structure is in the interests of Yuexiu REIT and its Unitholders.

Following Acquisition Completion, the NAV per Unit will be diluted from RMB4.366 as at 30 June 2021 to RMB3.888. Such dilution is inevitable as the Rights Issue Units are issued at a 26.7% discount to the net assets per Unit as at 30 June 2021. However, the Manager formulated the Financing Structure not only to achieve DPU/DPU Yield accretive but also minimize the dilution on the NAV per Unit upon Acquisition Completion. It is also noted similar NAV per unit dilution of Singapore REITs and property trusts including OUE Commercial REIT, Keppel KBS US REIT, Cromwell and Lippo Malls Indonesia Retail Trust (see section 6.1.3.3) after asset acquisitions involving rights issues. Given the Rights Issue offers opportunities for all Rights Issue Qualifying Unitholders to participate and the benefits brought about by the Acquisition including the improving DPU/DPU Yield, we consider the financial effect on net assets attributable to Unitholders per Unit to be acceptable.

Additional connected leasing transactions are expected upon Acquisition Completion and therefore the annual caps of the Connected Leasing Transactions for 2022-2023 will be revised.

Based on the above analysis, we consider the terms of the Matters Requiring Approval are fair and reasonable and in the interests of Yuexiu REIT and the Unitholders as a whole.

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OPINION

(a) The Matters Requiring Approval

Having taken into consideration the above reasons and factors and on the basis that, in particular, the Acquisition will enhance and enlarge the proportion of office premises in Yuexiu REIT's portfolio and the illustrative DPU will increase upon completion of the Acquisition and the Rights Issue, we consider that:

- (i) the Acquisition and the transactions contemplated under the Acquisition Deed are: (a) in the ordinary and usual course of business of Yuexiu REIT; (b) consistent with the investment objectives and strategy of Yuexiu REIT; and (c) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole;
- (ii) the Underwriting Agreement and the transactions contemplated thereunder (including the subscription of the Untaken Rights Issue Units) are: (a) in the ordinary and usual course of business of Yuexiu REIT; (b) consistent with the investment objectives and strategy of Yuexiu REIT; and (c) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole;
- (iii) the Placing Agreement and the transactions contemplated thereunder (including the payment of the placing commission and expenses to Yue Xiu Securities) are: (a) in the ordinary and usual course of business of Yuexiu REIT; (b) consistent with the investment objectives and strategy of Yuexiu REIT; and (c) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole;
- (iv) the Deferred Units Arrangement Modification and the transactions contemplated under the Second Supplemental Indebtedness Agreement are: (a) in the ordinary and usual course of business of Yuexiu REIT; (b) consistent with the investment objectives and strategy of Yuexiu REIT; and (c) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole;
- (v) the terms of the Yuexiu Leasing Framework Agreement and the basis for the Yuexiu Continuing CPTs contemplated thereunder (including the proposed Revised Annual Caps and the basis of arriving at the same) are fair and reasonable as far as the Independent Unitholders are concerned and are in the interests of Yuexiu REIT, the Independent Unitholders, as well as the Unitholders as a whole; and

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- (vi) Yuexiu Continuing CPTs contemplated under the Yuexiu Leasing Framework Agreement:
- (a) are and will be conducted in the ordinary and usual course of business of Yuexiu REIT and consistent with the investment objectives and strategy of Yuexiu REIT and in compliance with the REIT Code and the Trust Deed;
 - (b) are and will be conducted on terms which are and will be at arm's length and on normal commercial terms; and
 - (c) are and will be fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders, as well as the Unitholders as a whole.

On these bases, we advise the Independent Board Committee to recommend, and we ourselves recommend, Independent Unitholders to vote in favour of the relevant resolutions to approve the Matters Requiring Approval at the EGM.

(b) Whitewash Waiver

Having taken into consideration the reasons for and possible benefits of the Acquisition, the Rights Issue and the Underwriting Agreement and bearing in mind that the Rights Issue is conditional upon, amongst others, the Whitewash Waiver having been granted by the Executive and all conditions (if any) attached to the Whitewash Waiver having been satisfied, we consider that the Whitewash Waiver is fair and reasonable so far as the Independent Unitholders are concerned and is in the interests of Yuexiu REIT and the Unitholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, Independent Unitholders to vote in favour of the relevant resolution to approve the Whitewash Waiver at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
M. N. Sabine **Jenny Leung**
Chairman *Director*

Mr. M. N. Sabine is a licensed person and responsible officer of Somerley registered with the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

Ms. Jenny Leung is a licensed person and responsible officer of Somerley registered with the SFC to carry out type 6 (advising on corporate finance) regulated activity under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

1. FINANCIAL INFORMATION OF THE YUEXIU REIT GROUP

The financial information of Yuexiu REIT for the six months ended 30 June 2021 and the years ended 31 December 2018, 2019 and 2020 has been published in the reports as follows:

- (a) the interim report of Yuexiu REIT for the six months ended 30 June 2021 published on 30 August 2021, from pages 42 to 87;
- (b) the annual report of Yuexiu REIT for the year ended 31 December 2020 published on 26 April 2021, from pages 165 to 238;
- (c) the annual report of Yuexiu REIT for the year ended 31 December 2019 published on 23 April 2020, from pages 169 to 246; and
- (d) the annual report of Yuexiu REIT for the year ended 31 December 2018 published on 25 April 2019, from pages 163 to 236.

The interim report for the six months ended 30 June 2021 and the annual reports of Yuexiu REIT for the years ended 31 December 2018, 2019 and 2020 have been published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of Yuexiu REIT (<http://www.yuexiureit.com/>).

Summary of financial information of the Yuexiu REIT Group

The following is a summary of the financial results of the Yuexiu REIT Group for the years ended 31 December 2018, 2019 and 2020, and the six months ended 30 June 2021 as extracted from the relevant annual and interim reports of Yuexiu REIT:

	Year ended 31 December			Six months ended 30 June
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2,031,876	2,058,112	1,758,732	881,684
Profit before income tax and transactions with unitholders	1,424,888	1,382,236	791,088	391,081
Income tax expenses	458,369	441,828	203,967	105,482
Profit attributable to unitholders	911,758	876,819	565,495	265,953
Profit attributable to non-controlling interests	54,761	63,589	21,626	19,646
Basic earnings per Unit (RMB)	0.30	0.28	0.18	0.08
Total distribution	849,537	761,240	648,697	340,274
Distribution per Unit (HK\$)	0.3203	0.2712	0.2293	0.1233

The auditor of Yuexiu REIT for the years ended 31 December 2018, 2019 and 2020 was PricewaterhouseCoopers. The audit opinions of PricewaterhouseCoopers in respect of the above years were not qualified and there were no modified opinions nor emphasis of matter or material uncertainty related to going concern contained in the auditor's report of PricewaterhouseCoopers in respect of the above years. The condensed consolidated interim financial information of the Yuexiu REIT for the six months ended 30 June 2021 has been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

2. STATEMENT OF INDEBTEDNESS**Borrowings and Lease liabilities**

At the close of business on 30 September 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the Enlarged Group had outstanding borrowings and lease liabilities of approximately RMB16,983 million and 13 million, respectively.

As at 30 September 2021, borrowings totalling RMB4,139 million are secured by certain of the Enlarged Group's properties under investment properties, property, plant and equipment and land use rights, and the remaining borrowings RMB12,844 million of Enlarged Group are guaranteed by Yuexiu REIT. As at 30 September 2021, the Target Group's borrowings of RMB1,094 million are also guaranteed by GCCDL.

Save as aforesaid, and apart from intra-group liabilities, at the close of business on 30 September 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the Enlarged Group did not have any other debt securities, any outstanding loan capital, any borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Enlarged Group since 30 September 2021 up to and including the Latest Practicable Date.

3. MATERIAL CHANGE

Save for the Acquisition and the Rights Issue, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Yuexiu REIT Group since 31 December 2020, being the date on which the last published audited consolidated financial information of the Yuexiu REIT Group were made up, and up to and including the Latest Practicable Date.

The Directors also confirm that there has been no change in the financial or trading position or outlook of the Target Group since 30 June 2021, being the date on which the last published audited financial information of the Target Group were made up, and up to and including the Latest Practicable Date.

4. WORKING CAPITAL SUFFICIENCY

Taking into account the expected Acquisition Completion Date and the financial resources available to the Enlarged Group, including its internally generated funds, existing banking facilities, the New Bank Facility and the proceeds from the proposed Rights Issue and the availability of certain investment properties free from encumbrance which can be utilised to raise new banking facilities, the Directors are of the opinion that the Enlarged Group will have sufficient working capital to satisfy its present requirements for at least the next 12 months from the date of this Circular in the absence of unforeseen circumstances.

5. RECENT DEVELOPMENT AND FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Benefiting from the effective control of COVID-19 and the sustained normality in prevention and control mechanism in China, China's economy has kept a steady recovery. Looking ahead, China's economy will sustain a steadily growing pace in accordance with China's 14th Five-Year Plan.

As one of the core cities for development of the Greater Bay Area, Guangzhou will continue to focus on high-quality development of its economy, enhance industrial technological innovation capabilities, build a global innovation talent highland and create an international technology innovation centre in the Greater Bay Area. According to the national 14th Five-Year Plan, the Guangdong-Hong Kong-Macau Greater Bay Area will be built as a comprehensive national science centre, a world-class harbour group, an airport cluster and a travel destination and an international consumption centre.

Guangzhou has seen the lowest vacancy rate for Grade A office market among the four major first-tier cities in China. ZJNT is the core area of Guangzhou Tianhe CBD and the most concentrated area of Guangzhou Grade A office buildings, and has the best leasing performance. “Yuexiu Financial Tower (越秀金融大厦)” is a landmark building with International Grade A office building qualification strategically located in the Core Area of ZJNT. The Acquisition will increase the office portion of the Yuexiu REIT’s portfolio, and achieve synergy between Guangzhou IFC and the Property. Hence, the Manager believes that the acquisition is in line with the Yuexiu REIT’s proactive and prudent strategy, and will provide an additional and stable rental income in the future, and the Enlarged Group will also enjoy the possible capital appreciation of the Property.

Going forward, the Manager will continue to search for high-quality commercial projects in the core areas of first-tier cities and strong second-tier cities in China, especially focus on cities in the Guangdong-Hong Kong-Macao Greater Bay Area, expand its investment property portfolio in order to enhance its steady and recurring rental income. The Manager will aim at further improving the quality of Yuexiu REIT’s portfolio and expanding its scale of assets as well.

The following is the text of a report set out on pages A2-1 to A2-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF YUEXIU REIT ASSET MANAGEMENT LIMITED (AS THE MANAGER OF YUEXIU REAL ESTATE INVESTMENT TRUST)

Introduction

We report on the historical financial information of Gain Force Investments Limited (the "Target") and its subsidiaries (together, the "Target Group") set out on pages A2-4 to A2-53, which comprises the combined and company balance sheets as at 31 December 2018, 2019 and 2020 and 30 June 2021, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages A2-4 to A2-53 forms an integral part of this report, which has been prepared for inclusion in the circular of Yuexiu Real Estate Investment Trust ("Yuexiu REIT") dated 13 November 2021 (the "Circular") in connection with the proposed acquisition of the Target by Yuexiu REIT.

Directors' responsibility for the Historical Financial Information

The directors of Yuexiu REIT Asset Management Limited, the Manager of Yuexiu REIT (the "Manager"), are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of the Target Group for the Track Record Period ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Target. The directors of the Target are responsible for the preparation of the Underlying Financial Statements in accordance with the basis of presentation and preparation set out therein which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

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Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Target as at 31 December 2018, 2019 and 2020 and 30 June 2021 and the combined financial position of the Target Group as at 31 December 2018, 2019 and 2020 and 30 June 2021 and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the six months ended 30 June 2020 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Manager are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an

audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

13 November 2021

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the historical financial information as at 31 December 2018, 2019 and 2020 and 30 June 2021 and for the periods then ended (the “Track Record Period”) (the “Historical Financial Information”) which forms an integral part of this accountant’s report.

The combined financial statements of the Target Group for the years ended 31 December 2018, 2019 and 2020 and six months ended 30 June 2021, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (“RMB’000”) except when otherwise indicated.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December			Six months ended	
		2018	2019	2020	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(unaudited)
Revenue	5	316,802	350,566	374,912	184,378	198,460
Operating expenses, net	6	(108,104)	(113,699)	(110,370)	(37,734)	(78,071)
Fair value gains/(losses) on investment properties	11	414,900	39,600	(1,529)	—	62,500
Other income		—	2	31	—	—
Operating profit		<u>623,598</u>	<u>276,469</u>	<u>263,044</u>	<u>146,644</u>	<u>182,889</u>
Finance income	8	2,260	2,152	2,933	1,267	620
Finance expense	8	—	—	(49,993)	—	(61,635)
Profit before income tax		<u>625,858</u>	<u>278,621</u>	<u>215,984</u>	<u>147,911</u>	<u>121,874</u>
Income tax expense	9	<u>(156,563)</u>	<u>(69,656)</u>	<u>(54,004)</u>	<u>(36,978)</u>	<u>(30,500)</u>
Profit for the year/period		<u>469,295</u>	<u>208,965</u>	<u>161,980</u>	<u>110,933</u>	<u>91,374</u>
Other comprehensive income for the year/period		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit and total comprehensive income for the year/period		<u><u>469,295</u></u>	<u><u>208,965</u></u>	<u><u>161,980</u></u>	<u><u>110,933</u></u>	<u><u>91,374</u></u>

COMBINED BALANCE SHEETS

		As at 31 December			As at
	Note	2018	2019	2020	30 June
		RMB'000	RMB'000	RMB'000	2021
					RMB'000
ASSETS					
Non-current assets					
Investment properties	11	6,772,900	6,812,500	6,812,200	6,874,700
Deferred assets	12	27,996	20,346	26,609	33,408
Other receivables	14	21,007	21,007	21,007	21,007
		<u>6,821,903</u>	<u>6,853,853</u>	<u>6,859,816</u>	<u>6,929,115</u>
Current assets					
Deferred assets	12	10,262	13,695	7,643	6,618
Trade receivables	13	617	1,006	2,004	2,713
Amount due from related parties	23	64,143	362,233	3,332,929	2,870
Advanced to related parties	23	—	—	11,520	115
Prepayments	14	2,453	2,313	1,539	1,100
Cash and cash equivalents	15	309,688	231,422	349,251	110,061
		<u>387,163</u>	<u>610,669</u>	<u>3,704,886</u>	<u>123,477</u>
Total assets		<u>7,209,066</u>	<u>7,464,522</u>	<u>10,564,702</u>	<u>7,052,592</u>
LIABILITIES					
Current liabilities					
Amount due to related parties	23	16,669	5,635	29,449	5,735
Receipts in advance	17	21,206	18,050	27,568	22,554
Rental deposits	17	7,901	36,712	19,933	37,225
Other payables and accruals	17	7,263	13,592	18,329	21,438
Current tax liabilities		7,316	5,714	566	12,968
Borrowings	18	—	—	21,810	59,785
		<u>60,355</u>	<u>79,703</u>	<u>117,655</u>	<u>159,705</u>
Non-current liabilities					
Rental deposits	17	57,634	40,849	58,473	55,028
Borrowings	18	—	—	2,848,190	2,805,790
Deferred tax liabilities	16	1,065,231	1,109,159	1,143,593	1,160,677
		<u>1,122,865</u>	<u>1,150,008</u>	<u>4,050,256</u>	<u>4,021,495</u>
Total liabilities		<u>1,183,220</u>	<u>1,229,711</u>	<u>4,167,911</u>	<u>4,181,200</u>

		As at 31 December			As at
	Note	2018	2019	2020	30 June
		RMB'000	RMB'000	RMB'000	RMB'000
EQUITY					
Combined capital	19	4,000	4,000	4,000	4,000
Reserves	20	5,475,287	5,475,287	5,475,287	2,776,018
Retained earnings		<u>546,559</u>	<u>755,524</u>	<u>917,504</u>	<u>91,374</u>
Total equity		<u>6,025,846</u>	<u>6,234,811</u>	<u>6,396,791</u>	<u>2,871,392</u>
Total equity and liabilities		<u>7,209,066</u>	<u>7,464,522</u>	<u>10,564,702</u>	<u>7,052,592</u>

BALANCE SHEETS OF THE COMPANY

	Note	As at 31 December			As at
		2018	2019	2020	30 June
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Investment in a subsidiary	11	—	—	—	—
		—	—	—	—
Current assets					
Amount due from a subsidiary		47	47	47	47
		47	47	47	47
Total assets		47	47	47	47
LIABILITIES					
Current liabilities					
Amount due to the immediate holding company		86	86	86	86
		86	86	86	86
Total liabilities		86	86	86	86
EQUITY					
Share capital	19	—	—	—	—
Accumulated losses		(39)	(39)	(39)	(39)
Total deficits		(39)	(39)	(39)	(39)
Total deficits and liabilities		47	47	47	47

COMBINED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December			Six months ended 30 June	
		2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000	2021 RMB'000
Cash flows from operating activities						
Cash generated from operations	21	228,814	245,457	285,366	122,503	113,177
Income tax paid		(17,470)	(27,330)	(24,718)	(11,113)	(1,014)
Interest paid		—	—	(46,594)	—	(61,775)
Net cash generated from operating activities		<u>211,344</u>	<u>218,127</u>	<u>214,054</u>	<u>111,390</u>	<u>50,388</u>
Cash flows from investing activities						
Advance to related parties		—	(298,545)	(2,968,767)	(96,837)	(120,000)
Repayment from related parties		—	—	—	—	251,509
Addition of investment properties		—	—	(391)	—	—
Interest received		2,260	2,152	2,933	1,267	620
Net cash generated from/(used in) investing activities		<u>2,260</u>	<u>(296,393)</u>	<u>(2,966,225)</u>	<u>(95,570)</u>	<u>132,129</u>
Cash flows from financing activities						
Proceeds from borrowings, net of transaction costs		—	—	2,870,000	—	—
Repayments of borrowings		—	—	—	—	(4,425)
Dividends paid to the then shareholder of the Operating Entities		—	—	—	—	(417,282)
Net cash generated from/(used in) financing activities		<u>—</u>	<u>—</u>	<u>2,870,000</u>	<u>—</u>	<u>(421,707)</u>
Net increase/(decrease) in cash and cash equivalents		213,604	(78,266)	117,829	15,820	(239,190)
Cash and cash equivalents at beginning of the year/period		<u>96,084</u>	<u>309,688</u>	<u>231,422</u>	<u>231,422</u>	<u>349,251</u>
Cash and cash equivalents at end of the year/period	15	<u><u>309,688</u></u>	<u><u>231,422</u></u>	<u><u>349,251</u></u>	<u><u>247,242</u></u>	<u><u>110,061</u></u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>RMB'000</i>	Reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 1 January 2018	4,000	5,475,287	77,264	5,556,551
Profit for the year	—	—	469,295	469,295
Total comprehensive income	—	—	469,295	469,295
Balance at 31 December 2018	<u>4,000</u>	<u>5,475,287</u>	<u>546,559</u>	<u>6,025,846</u>
Balance at 1 January 2019	4,000	5,475,287	546,559	6,025,846
Profit for the year	—	—	208,965	208,965
Total comprehensive income	—	—	208,965	208,965
Balance at 31 December 2019	<u>4,000</u>	<u>5,475,287</u>	<u>755,524</u>	<u>6,234,811</u>
Balance at 1 January 2020	4,000	5,475,287	755,524	6,234,811
Profit for the year	—	—	161,980	161,980
Total comprehensive income	—	—	161,980	161,980
Balance at 31 December 2020	<u>4,000</u>	<u>5,475,287</u>	<u>917,504</u>	<u>6,396,791</u>
Balance at 1 January 2021	4,000	5,475,287	917,504	6,396,791
Profit for the period	—	—	91,374	91,374
Total comprehensive income	—	—	91,374	91,374
Dividends for the period	—	(2,699,269)	(917,504)	(3,616,773)
Total transactions with owners	—	(2,699,269)	(917,504)	(3,616,773)
Balance at 30 June 2021	<u>4,000</u>	<u>2,776,018</u>	<u>91,374</u>	<u>2,871,392</u>
(unaudited)				
Balance at 1 January 2020	4,000	5,475,287	755,524	6,234,811
Profit for the period	—	—	110,933	110,933
Total comprehensive income	—	—	110,933	110,933
Balance at 30 June 2020	<u>4,000</u>	<u>5,475,287</u>	<u>866,457</u>	<u>6,345,744</u>

NOTES TO THE COMBINED FINANCIAL STATEMENTS**1 General information and reorganisation****1.1 General information**

Gain Force Investments Limited (the “Target Company”) was incorporated in the British Virgin Islands on 5 January 2010 with limited liability. The address of its registered office is 2401 Yue Xiu Building, 160 Lockhart Road, Wanchi, Hong Kong.

The Target Company is an investment holding company. The Target Company and its subsidiaries (together, the “Target Group”) are principally engaged in leasing out of Yuexiu Financial Tower (the “Target Property”) in Mainland China (“China”) (the “Target Business”) before and after the completion of the Reorganisation as set out in Note 1.2 below.

The Target Property was previously held by Guangzhou City Construction & Development Co. Ltd. (“GCCDL”), a partially-owned subsidiary of Yuexiu Property Company Limited (the “Vendor”). GCCDL set up a wholly owned subsidiary 廣州晉耀置業有限公司 on 17 April 2017, and three wholly owned subsidiaries namely 廣州佳耀置業有限公司, 廣州景耀置業有限公司 and 廣州譽耀置業有限公司 (together with 廣州景耀置業有限公司, the “Operating Entities”) on 26 April 2017 respectively. On 17 May 2017, GCCDL entered into State-owned Assets Transfer Agreements with the Operating Entities pursuant to which, GCCDL agreed to transfer the assets and liabilities associated with the Target Property to the Operating Entities at nil consideration.

On 24 October 2021, Yuexiu Real Estate Investment Trust (“Yuexiu REIT”) through its wholly-owned subsidiary agreed to purchase 100% equity interest of the Target Company which holds 100% of the Operating Entities from the Vendor after the Reorganisation.

The financial statements are presented in Renminbi (“RMB”), unless otherwise stated.

1.2 Reorganisation

Prior to the completion of the Reorganisation as defined below, the Target Company was indirectly held by the Vendor and held Legend Smart (China) Limited, an investment holding subsidiary in Hong Kong.

The Target Group underwent a reorganisation pursuant to which the Target Business were transferred to the Target Company (the “Reorganisation”). The Reorganisation involved the following:

- (a) On 15 June 2021, 廣州駿盛經濟資訊諮詢有限公司 was established in the PRC by Legend Smart (China) Limited.
- (b) On 9 July 2021, 廣州匯盛實業投資合夥企業(有限合夥) was established in the PRC by Legend Smart (China) Limited and 廣州駿盛經濟資訊諮詢有限公司, holding 90% and 10% equity interests respectively.

- (c) On 14 July 2021, 廣州凱盛經濟資訊諮詢有限公司 and on 20 July 2021, 廣州弘盛經濟資訊諮詢有限公司, 廣州領盛經濟資訊諮詢有限公司 and 廣州創盛經濟資訊諮詢有限公司 were established in the PRC by 廣州匯盛實業投資合夥企業(有限合夥) and 廣州駿盛經濟資訊諮詢有限公司, holding 99.99% and 0.01% equity interests respectively.
- (d) On 30 August 2021, 廣州凱盛經濟資訊諮詢有限公司, 廣州弘盛經濟資訊諮詢有限公司, 廣州領盛經濟資訊諮詢有限公司 and 廣州創盛經濟資訊諮詢有限公司 acquired 100% equity interest of the Operating Entities from GCCDL respectively.

Particulars of subsidiaries of the Group as at the date of this report and during the Track Record Period are set out below:

Name	Date of incorporation	Place of incorporation/ establishment and kind of legal entity	Principal activity	Particulars of issued share capital/ registered capital and paid-up capital			Effective interests held		As at 30 June 2021 this report
				2018	2019	2020	31 December 2018	31 December 2019	
Directly owned									
Legend Smart (China) Limited	2 February 2010	Hong Kong, limited liability company	Investment holding	RMB1,000,000/ RMB1,000,000	100%	100%	100%	100%	100%
Indirectly owned									
廣州晉羅置業有限公司	17 April 2017	Mainland China, limited liability company	Property management and consultancy	RMB1,000,000/ RMB1,000,000	—	—	—	—	100%
廣州譽羅置業有限公司	26 April 2017	Mainland China, limited liability company	Property management and consultancy	RMB1,000,000/ RMB1,000,000	—	—	—	—	100%
廣州景羅置業有限公司	26 April 2017	Mainland China, limited liability company	Property management and consultancy	RMB1,000,000/ RMB1,000,000	—	—	—	—	100%
廣州佳羅置業有限公司	26 April 2017	Mainland China, limited liability company	Property management and consultancy	RMB1,000,000/ RMB1,000,000	—	—	—	—	100%
廣州凱盛經濟資訊諮詢有限公司	14 July 2021	Mainland China, limited liability company	Investing holding	RMB1,080,000,000/ Nil	N/A	N/A	N/A	N/A	100%
廣州弘盛經濟資訊諮詢有限公司	20 July 2021	Mainland China, limited liability company	Investing holding	RMB980,000,000/ Nil	N/A	N/A	N/A	N/A	100%
廣州領盛經濟資訊諮詢有限公司	20 July 2021	Mainland China, limited liability company	Investing holding	RMB860,000,000/ Nil	N/A	N/A	N/A	N/A	100%
廣州創盛經濟資訊諮詢有限公司	20 July 2021	Mainland China, limited liability company	Investing holding	RMB780,000,000/ Nil	N/A	N/A	N/A	N/A	100%
廣州匯盛實業投資合夥企業(有限合夥)	9 July 2021	Mainland China, limited liability company	Investing holding	RMB8,100,000,000/ Nil	N/A	N/A	N/A	N/A	100%
廣州駿盛經濟資訊諮詢有限公司	15 June 2021	Mainland China, limited liability company	Investing holding	RMB1,000,000/ Nil	N/A	N/A	N/A	N/A	100%

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Target Business is conducted through the Operating Entities. Pursuant to the Reorganisation, the Target Business conducted by the Operating Entities is transferred to and conducted by the Target Company. As the Target Company has not been involved in any other business since its incorporation and does not meet the definition of a business, the Reorganisation is merely a recapitalisation of the Target Business with no change in management and the ultimate controlling shareholder.

Accordingly, the Target Group resulting from the Reorganisation is regarded as a continuation of the Target Business and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the combined financial statements of the Operating Entities, with the assets and liabilities of the Target Group recognised and measured at the carrying amounts of the Target Business as recorded in the combined financial statements of the Operating Entities for all periods presented.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these combined financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

The combined financial statements of the Target Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The combined financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties which is stated at fair value.

The preparation of the combined financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

As at 30 June 2021, the Target Group's current liabilities exceeded its current assets by RMB36,228,000 mainly as the bank borrowings of RMB59,785,000 fall due within twelve months from the balance sheet date. The Directors of the Target Company have reviewed the Target Group's cash flows projections prepared by management, which cover a period of twelve months from 30 June 2021. The Directors are of the opinion that, taking into account the anticipated cash flows generated from the Target Group's operations and the Target Group's unutilized bank facilities of RMB583,345,000 as at 30 June 2021, the Group will have sufficient financial resources to fulfil its financial obligations as and when they fall due in the coming twelve months from 30 June 2021. Accordingly, the combined financial statements have been prepared on a going concern basis.

(i) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Target Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	Update reference to the conceptual framework	1 January, 2022
Amendments to HKAS 16	Proceeds before intended use	1 January, 2022
Amendments to HKAS 37	Onerous contracts — cost of fulfilling a contract	1 January, 2022
Annual improvements	Annual improvements to HKFRS standards 2018-2020 cycle	1 January, 2022
Amendments to Accounting Guideline 5	Merger accounting for common control combinations	1 January, 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January, 2023
HKFRS 17	Insurance contract	1 January, 2023
HK Interpretation 5	Classification by the borrower of a term loan that contains a repayment on demand clause	1 January, 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8	Definition of accounting estimates	1 January 2023
Amendment to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Target Group has control. The Target Group controls an entity where the Target Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully combined from the date on which control is transferred to the Target Group. They are not combined from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Target Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the combined financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

The Target Group is mainly engaged in leasing of the Target Property in China, accordingly, there is only one business and geographical segment for the Target Group's operations.

2.5 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The combined financial statements are presented in RMB, which is the Target Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance expense. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within "operating expenses, net".

2.6 Investment properties

Investment properties, principally comprising leasehold land, shopping mall and office building, is held for long-term rental yields or for capital appreciation or both, and is not occupied by the Target Group. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, investment properties is carried at fair value. Changes in fair values are recorded in profit or loss.

2.7 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Financial assets

(i) Classification

The Target Group classifies its financial assets in either those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), or those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Target Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Target Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Target Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of debt instruments depends on the Target Group's business model for managing the asset and the cash flow characteristics of the asset. There is only one measurement category into which the Target Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

(iv) Impairment

The Target Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Trade receivables are amounts due from tenants. The Target Group applies the HKFRS 9 simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The identified impairment loss was immaterial. While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9 the identified impairment loss was immaterial.

Other debt instruments carried at amortised cost are considered to have low credit risk, and the loss allowance recognised during the Track Record Period were therefore limited to 12 months' expected losses.

2.9 Trade receivables

Trade receivables are amounts due from tenants for the right to use the leased assets in the ordinary course of business. They are generally due for settlement within 30 days and therefore all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Target Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.10 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks.

2.11 Combined capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.12 Rental deposits

Rental deposits are financial liabilities with fixed or determinable repayments. They arise when the Target Group enters into lease agreement directly with tenants. They are included in current liabilities, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current liabilities.

Rental deposits are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. At initial recognition, the difference between the carrying amount of the financial liability and the actual consideration received is treated as initial premiums and recognised as rental income over the lease term, on a straight-line basis.

2.13 Other payables

Other payables are unsecured and presented as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.15 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

2.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Target Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) *Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment properties that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.17 Employee benefit

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current liabilities in the balance sheet.

(ii) Pension obligations

A defined contribution plan is a pension plan under which the Target Group pays fixed contributions into a separate entity. The Target Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Target Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Target Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Target Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Target Group recognises termination benefits at the earlier of the following dates: (a) when the Target Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in the ordinary course of the Target Group's activities. The Target Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Target Group's activities as described below.

(i) Rental income

Operating lease rental income is recognised on a straight-line basis over the period of the lease. When the Target Group provides incentives to its tenants, the cost of incentives will be recognised over the lease term, on a straight-line basis, as a reduction of rental income. The difference between the gross receipt of rental and operating lease rental recognised over the lease term is recognised as deferred assets.

(ii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

3 Financial risk management

3.1 Financial risk factors

The Target Group's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance.

(i) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, trade receivables, amounts due from related parties and other receivables.

The Target Group has policies in place to ensure that leases are entered into with tenants with an appropriate financial strength and appropriate percentage of rental deposit. It also has other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Target Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The Target Group has no significant concentration of credit risks, with exposure spread over a number of counterparties and tenants.

The carrying amounts of receivables and cash and bank balances included in the combined balance sheet represents the Target Group's maximum exposure to credit risk in relation to these financial assets.

The credit risk for bank balances is considered to be minimal as such amounts are generally placed with state-owned banks or banks with good ratings. Management does not expect any losses from non-performance by these banks.

Amounts due from related parties and other receivables are considered to be low credit risk where they have a low risk of default and the counterparties have strong capacity to meet their contractual cash flow obligations in the near term.

(ii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the Target Group has cash and cash equivalents of RMB309,688,000, RMB231,422,000, RMB349,251,000 and RMB110,061,000 respectively for managing liquidity risk. The Target Group's current liabilities exceed its current assets by RMB36,228,000 as at 30 June 2021 comparing with net current asset position as at 31 December 2018, 2019 and 2020. The Directors are of the opinion that, taking into account the current cash position and anticipated cash flows generated from the Target Group's operations and the Target Group's unutilized bank facilities of RMB583,345,000 as at 30 June 2021, the Group will have sufficient financial resources to fulfil its financial obligations as and when they fall due in the coming twelve months from 30 June 2021.

The table below analyses the Target Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than one year RMB'000	Between one and two years RMB'000	Between two and five years RMB'000	Over five years RMB'000	Total RMB'000
The Target Group					
At 31 December 2018					
Amounts due to related parties	16,669	—	—	—	16,669
Rental deposits	7,901	25,918	28,664	13,127	75,610
Other payables	2,270	—	—	—	2,270
	<u>16,669</u>	<u>25,918</u>	<u>28,664</u>	<u>13,127</u>	<u>75,610</u>
At 31 December 2019					
Amounts due to related parties	5,635	—	—	—	5,635
Rental deposits	36,712	19,256	20,150	8,623	84,741
Other payables	1,842	—	—	—	1,842
	<u>5,635</u>	<u>19,256</u>	<u>20,150</u>	<u>8,623</u>	<u>84,741</u>
At 31 December 2020					
Amounts due to related parties	29,449	—	—	—	29,449
Rental deposits	19,933	22,760	30,743	16,228	89,664
Other payables	2,550	—	—	—	2,550
Borrowings	145,512	234,729	711,235	2,909,617	4,001,093
	<u>145,512</u>	<u>234,729</u>	<u>711,235</u>	<u>2,909,617</u>	<u>4,001,093</u>
At 30 June 2021					
Amounts due to related parties	5,735	—	—	—	5,735
Rental deposits	37,225	15,475	40,139	10,077	102,916
Other payables	1,076	—	—	—	1,076
Borrowings	182,464	257,719	722,837	2,771,874	3,934,894
	<u>182,464</u>	<u>257,719</u>	<u>722,837</u>	<u>2,771,874</u>	<u>3,934,894</u>

	Less than one year RMB'000
The Target Company	
At 31 December 2018	
Amount due to the immediate holding company	<u>86</u>
At 31 December 2019	
Amount due to the immediate holding company	<u>86</u>
At 31 December 2020	
Amount due to the immediate holding company	<u>86</u>
At 30 June 2021	
Amount due to the immediate holding company	<u>86</u>

3.2 Capital risk management

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital.

The Target Group monitors capital on the basis of debt to assets ratio. This ratio is calculated as total liabilities divided by total assets as shown in the combined balance sheet.

The debt to assets ratios at 31 December 2018, 2019, 2020 and 30 June 2021 were as follows:

	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total liabilities	<u>1,183,220</u>	<u>1,229,711</u>	<u>4,167,911</u>	<u>4,181,200</u>
Total assets	<u>7,209,066</u>	<u>7,464,522</u>	<u>10,564,702</u>	<u>7,052,592</u>
Debt to assets ratio	<u>16%</u>	<u>16%</u>	<u>39%</u>	<u>59%</u>

3.3 Fair value estimation

The carrying amounts of the Target Group's current financial assets and current financial liabilities approximate their fair values due to their short maturities.

The fair value of non-current financial assets and financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Target Group for similar financial instruments.

See Note 11 for disclosures for investment properties.

4 Critical accounting estimates

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the related actual results.

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities are discussed below.

(a) Estimation of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the directors determine the amount within a range of reasonable fair value estimates. In making its judgement, the directors consider information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition. These valuations are reviewed annually by external valuers.

The fair value of investment properties is determined by using valuation technique. Details of the valuation techniques and assumptions have been disclosed in Notes 11.

(b) Income tax and deferred tax

The Target Group is subject to income taxes primarily in China. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Provision of deferred tax follows the way management expects to recover or settle the carrying amount of the related assets or liabilities, which the management may expect to recover through use, sale or combination of both. Accordingly, deferred tax will be calculated at income tax rate, capital gains tax rate or combination of both. There is a rebuttable presumption in HKFRS that investment properties measured at fair value are recovered through sale. The investment properties of the Target Group are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Hence the presumption is rebutted and the deferred tax on revaluation of investment properties held by the Target Group is calculated at the applicable tax rate.

5 Revenue and segment information

Turnover mainly consists of rental income. The revenue of the Target Group during The Track Record Period is from external tenants and related companies.

The Target Group's revenue is derived solely from its operation in China and the non-current assets of the Target Group are also located in China. The Target Group has a large number of customers, none of whom contributed 10% or more of the Target Group's revenue during the Track Record Period. The additions to non-current assets for each of the Track Record Period are mainly the addition to the investment properties as set out in Note 11.

The Target Group's revenue by nature is as follows:

	Year ended 31 December			Six months ended	
	2018	2019	2020	30 June	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Rental income	309,711	343,416	363,046	175,868	192,658
Penalty fee	7,091	7,150	11,866	8,510	5,802
	<u>316,802</u>	<u>350,566</u>	<u>374,912</u>	<u>184,378</u>	<u>198,460</u>

6 Expenses by nature

	Year ended 31 December			Six months ended	
	2018	2019	2020	30 June	
	RMB'000	RMB'000	RMB'000	2020	2021
				RMB'000	RMB'000
				<i>(unaudited)</i>	
Real estate tax	41,079	42,949	32,877	10,796	22,403
Other business tax and surcharge	3,451	2,877	2,947	1,237	1,756
Employee benefit expenses (Note 7)	4,348	22,726	22,193	7,771	6,280
Property management fee (Note 23)	48,000	33,600	24,480	12,240	24,000
Property agency fee (Note 23)	10,080	10,749	23,533	5,352	20,034
Vacant property management fee (Note 23)	—	—	2,594	—	2,658
Insurance expense	898	433	440	217	173
Repair and maintenance	—	—	679	—	650
Legal and professional fee	226	286	606	111	106
Bank charges	8	13	17	7	9
Others	14	66	4	3	2
	<u>108,104</u>	<u>113,699</u>	<u>110,370</u>	<u>37,734</u>	<u>78,071</u>

7 Employee benefit expenses

	Year ended 31 December			Six months ended	
	2018	2019	2020	30 June	
	RMB'000	RMB'000	RMB'000	2020	2021
				RMB'000	RMB'000
				<i>(unaudited)</i>	
Wages, salaries and bonus	3,592	19,703	19,101	6,118	4,257
Pension costs	325	1,183	707	486	694
Medical benefits costs	139	492	489	223	251
Social security costs	37	132	103	58	66
Staff welfare	255	1,216	1,793	886	1,012
	<u>4,348</u>	<u>22,726</u>	<u>22,193</u>	<u>7,771</u>	<u>6,280</u>

APPENDIX 2 ACCOUNTANT'S REPORT IN RESPECT OF TARGET GROUP

Pension scheme arrangements

Subsidiaries in China are required to participate in defined contribution retirement plans organised by the respective Provincial or Municipal Government. The Target Group has no further obligations for the actual payment of pensions beyond its contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

8 Finance income and expense

	Year ended 31 December			Six months ended	
	2018	2019	2020	30 June	
	RMB'000	RMB'000	RMB'000	2020	2021
				RMB'000	RMB'000
				<i>(unaudited)</i>	
Finance income					
- Interest income from banks	(2,260)	(2,152)	(2,933)	(1,267)	(620)
Finance expense					
- Interest expenses for borrowings	—	—	49,993	—	61,635
	<u>(2,260)</u>	<u>(2,152)</u>	<u>47,060</u>	<u>(1,267)</u>	<u>61,015</u>

9 Income tax expense

	Year ended 31 December			Six months ended	
	2018	2019	2020	30 June	
	RMB'000	RMB'000	RMB'000	2020	2021
				RMB'000	RMB'000
				<i>(unaudited)</i>	
Current income tax					
- China corporate income tax (Note (a))	21,814	25,728	19,570	19,477	13,416
Deferred income tax					
- Origination and reversal of temporary difference	134,749	43,928	34,434	17,501	17,084
	<u>156,563</u>	<u>69,656</u>	<u>54,004</u>	<u>36,978</u>	<u>30,500</u>

(a) China corporate income tax is provided on the profit of the Target Group's subsidiaries in China at 25% for the years ended 31 December 2018, 2019, and 2020 and the six months ended 30 June 2020 and 2021.

The taxation on the Target Group's profit before income tax differs from the theoretical amount that would arise using the corporate income tax rate of China as follows:

	Year ended 31 December			Six months ended	
	2018	2019	2020	30 June	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Profit before income tax	<u>625,858</u>	<u>278,621</u>	<u>215,984</u>	<u>147,911</u>	<u>121,874</u>
Tax calculated at China corporate income tax rate of 25%	156,465	69,655	53,996	36,978	30,468
Expenses not deductible for tax purpose	<u>98</u>	<u>1</u>	<u>8</u>	<u>—</u>	<u>32</u>
Income tax expense	<u>156,563</u>	<u>69,656</u>	<u>54,004</u>	<u>36,978</u>	<u>30,500</u>

10 Target Company's directors' and senior management's emoluments

None of the directors and senior management of the Target Company received any emoluments in respect of their services rendered to the Target Group during the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021.

11 Investment properties

	Year ended 31 December			Six months ended	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Beginning of the year/period	6,358,000	6,772,900	6,812,500	6,812,500	6,812,200
Addition	—	—	1,229	—	—
Fair value gains/(losses)	<u>414,900</u>	<u>39,600</u>	<u>(1,529)</u>	<u>—</u>	<u>62,500</u>
End of the year/period	<u><u>6,772,900</u></u>	<u><u>6,812,500</u></u>	<u><u>6,812,200</u></u>	<u><u>6,812,500</u></u>	<u><u>6,874,700</u></u>
Fair value gains/(losses) included in profit or loss for assets held at the end of the year/period, under “Fair value gains/(losses) on investment properties”	<u><u>414,900</u></u>	<u><u>39,600</u></u>	<u><u>(1,529)</u></u>	<u><u>—</u></u>	<u><u>62,500</u></u>

The investment properties are located in China and owned by the Target Group. The relevant land use rights of the properties were granted to the Target Group for the terms of 40 years for commercial use and 50 years for other use commencing on 16 April 2007.

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate.

Although the Target Group is exposed to changes in the residual value at the end of the current leases, the Target Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Bank loans totalling RMB2,870,000,000 and RMB2,865,575,000 as at 31 December 2020 and 30 June 2021 (Note 18) are secured by certain parts of the Target Property with carrying value of RMB6,760,700,000 and RMB6,818,300,000 respectively.

In the combined statement of comprehensive income, direct operating expenses relating to investment properties and direct operating expenses relating to investment properties that were vacant are as follows:

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Direct operating expenses relating to investment properties	49,658	51,220	52,564	24,656	41,570
Direct operating expenses relating to investment properties that were vacant	<u>1,695</u>	<u>2,639</u>	<u>6,550</u>	<u>1,856</u>	<u>3,767</u>

(unaudited)

Valuation processes of the Target Group

The Target Group measures the investment properties at fair value. The investment properties were revalued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL”) at 31 December 2018, 2019 and 2020 and 30 June 2020 and 2021, being independent qualified valuer not related to the Target Group.

The Target Group’s finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the senior management. Discussions of valuation processes and results are held between the management and the valuer at least once every six months, in line with the Target Group’s interim and annual reporting dates.

At least once every six months, the finance department:

- Verifies all major inputs to the independent valuation report
- Assesses property valuations movements when compared to the prior year valuation report
- Holds discussions with the independent valuer

Valuation techniques

Fair value of investment properties in China is derived using income capitalisation method.

The income capitalisation method is used to capitalise the unexpired rental income of contractual tenancies. It has also taken into account the reversionary market rent after the expiry of tenancies in capitalisation. The prevailing market rents adopted in the valuation have made reference to recent lettings and other similar comparable properties in the vicinity.

As at 31 December 2018, 2019, 2020 and 30 June 2021, the investment properties are included in level 3 of the fair value hierarchy.

Significant inputs used to determine fair value

Capitalisation rate is estimated based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

Prevailing market rents are estimated based on recent lettings within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

The adopted valuation assumptions in the income capitalisation method are summarised as follows:

As at 31 December 2018

	Monthly market unit rent <i>(RMB per sq.m.)</i>	Capitalisation rate <i>(per annum)</i>
Office	183-194	4.50%
Retail	153-450	4.75%
Carpark	47	3.75%

As at 31 December 2019

	Monthly market unit rent <i>(RMB per sq.m.)</i>	Capitalisation rate <i>(per annum)</i>
Office	187-201	4.50%
Retail	156-456	4.75%
Carpark	48	3.75%

As at 31 December 2020

	Monthly market unit rent <i>(RMB per sq.m.)</i>	Capitalisation rate <i>(per annum)</i>
Office	188	4.50%
Retail	160-460	4.75%
Carpark	51	3.75%

As at 30 June 2021

	Monthly market unit rent <i>(RMB per sq.m.)</i>	Capitalisation rate <i>(per annum)</i>
Office	197	4.75%
Retail	168-486	5.00%
Carpark	56	3.75%

12 Deferred assets

Rental income is recognised on an accrued basis by averaging out the impact of rent-free periods, contracted rental escalations and such other terms affecting the cash received from rental income under each tenancy agreement. Thus, rental income is recognised on a straight-line basis for the entire lease term of each tenancy agreement, which effectively amortises the impact of rent-free periods, contracted rental escalations and other relevant terms on the rental income over the relevant lease periods. The temporary difference between the rental income as set out in the lease agreements and accounting rental income is reflected as deferred assets. Deferred assets which are expected to be realised twelve months after the balance sheet date are classified as non-current assets. The deferred assets are denominated in RMB.

13 Trade receivables

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	<u>617</u>	<u>1,006</u>	<u>2,004</u>	<u>2,713</u>

The carrying amounts of trade receivables approximate their fair values.

The credit terms of the Target Group are generally within three months. The ageing analysis of trade receivables by invoice date is as follows:

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021
0 - 30 days	217	259	568	1,324
31 - 90 days	—	285	482	239
91 - 180 days	—	17	48	61
181 - 365 days	88	440	371	213
Over 365 days	312	5	535	876
	<u>617</u>	<u>1,006</u>	<u>2,004</u>	<u>2,713</u>

The Target Group applies the HFKRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance is immaterial.

The Target Group's trade receivables are denominated in RMB.

14 Prepayments and other receivables

The balance of prepayments and other receivables mainly represents property maintenance fund. The carrying amounts of prepayments and other receivables approximate their fair values.

All prepayments and other receivables are denominated in RMB.

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Non-current:				
Property maintenance fund	<u>21,007</u>	<u>21,007</u>	<u>21,007</u>	<u>21,007</u>
Current:				
Prepaid insurance	—	433	347	174
Prepaid business taxes	<u>2,453</u>	<u>1,880</u>	<u>1,192</u>	<u>926</u>
	<u>2,453</u>	<u>2,313</u>	<u>1,539</u>	<u>1,100</u>
	<u>23,460</u>	<u>23,320</u>	<u>22,546</u>	<u>22,107</u>

15 Cash and cash equivalents

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Cash at bank	<u>309,688</u>	<u>231,422</u>	<u>349,251</u>	<u>110,061</u>
Maximum exposure to credit risk	<u>309,688</u>	<u>231,422</u>	<u>349,251</u>	<u>110,061</u>

The carrying amounts of cash and cash equivalents approximate their fair values.

The Target Group's RMB denominated balances are placed with banks in China. The conversion of these RMB denominated balances into foreign currencies and the remittance of these balances out of China is subject to rules and regulations of foreign exchange control promulgated by the Chinese Government.

16 Deferred tax liabilities

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets:				
- to be recovered after 12 months	666	666	666	666
- to be recovered within 12 months	<u>8</u>	<u>372</u>	<u>1,055</u>	<u>1,040</u>
	<u>674</u>	<u>1,038</u>	<u>1,721</u>	<u>1,706</u>
Deferred tax liabilities:				
- to be recovered after 12 months	1,063,339	1,106,773	1,143,403	1,160,728
- to be recovered within 12 months	<u>2,566</u>	<u>3,424</u>	<u>1,911</u>	<u>1,655</u>
	<u>1,065,905</u>	<u>1,110,197</u>	<u>1,145,314</u>	<u>1,162,383</u>
Deferred tax liabilities - net	<u>1,065,231</u>	<u>1,109,159</u>	<u>1,143,593</u>	<u>1,160,677</u>

The movements in deferred tax liabilities are as follows:

	Year ended 31 December			Six months ended	
	2018	2019	2020	30 June	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Beginning of the year/period	930,482	1,065,231	1,109,159	1,109,159	1,143,593
Charged to profit or loss (Note 9)	<u>134,749</u>	<u>43,928</u>	<u>34,434</u>	<u>17,501</u>	<u>17,084</u>
End of the year/period	<u>1,065,231</u>	<u>1,109,159</u>	<u>1,143,593</u>	<u>1,126,660</u>	<u>1,160,677</u>

The movements in deferred tax assets (prior to offsetting of balances within the same taxation jurisdiction) are as follows:

	Accrual expenses <i>RMB'000</i>	Accrual payroll <i>RMB'000</i>	Tax losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2018	666	53	761	1,480
Charged to profit or loss	<u>—</u>	<u>(45)</u>	<u>(761)</u>	<u>(806)</u>
At 31 December 2018	<u>666</u>	<u>8</u>	<u>—</u>	<u>674</u>
At 1 January 2019	666	8	—	674
Credited to profit or loss	<u>—</u>	<u>364</u>	<u>—</u>	<u>364</u>
At 31 December 2019	<u>666</u>	<u>372</u>	<u>—</u>	<u>1,038</u>
At 1 January 2020	666	372	—	1,038
Credited to profit or loss	<u>—</u>	<u>683</u>	<u>—</u>	<u>683</u>
At 31 December 2020	<u>666</u>	<u>1,055</u>	<u>—</u>	<u>1,721</u>
At 1 January 2021	666	1,055	—	1,721
Charged to profit or loss	<u>—</u>	<u>(15)</u>	<u>—</u>	<u>(15)</u>
At 30 June 2021	<u>666</u>	<u>1,040</u>	<u>—</u>	<u>1,706</u>
(unaudited)				
At 1 January 2020	666	372	—	1,038
Charged to profit or loss	<u>—</u>	<u>(121)</u>	<u>—</u>	<u>(121)</u>
At 30 June 2020	<u>666</u>	<u>251</u>	<u>—</u>	<u>917</u>

The movements in deferred tax liabilities (prior to offsetting of balances within the same taxation jurisdiction) are as follows:

	Fair value gains <i>RMB'000</i>	Depreciation allowance <i>RMB'000</i>	Other <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2018	902,400	14,770	14,792	931,962
Charged/(credited) to profit or loss	<u>103,725</u>	<u>35,446</u>	<u>(5,228)</u>	<u>133,943</u>
At 31 December 2018	<u>1,006,125</u>	<u>50,216</u>	<u>9,564</u>	<u>1,065,905</u>
At 1 January 2019	1,006,125	50,216	9,564	1,065,905
Charged/(credited) to profit or loss	<u>9,900</u>	<u>35,446</u>	<u>(1,054)</u>	<u>44,292</u>
At 31 December 2019	<u>1,016,025</u>	<u>85,662</u>	<u>8,510</u>	<u>1,110,197</u>
At 1 January 2020	1,016,025	85,662	8,510	1,110,197
(Credited)/charged to profit or loss	<u>(382)</u>	<u>35,446</u>	<u>53</u>	<u>35,117</u>
At 31 December 2020	<u>1,015,643</u>	<u>121,108</u>	<u>8,563</u>	<u>1,145,314</u>
At 1 January 2021	1,015,643	121,108	8,563	1,145,314
Charged to profit or loss	<u>15,625</u>	<u>—</u>	<u>1,444</u>	<u>17,069</u>
At 30 June 2021	<u>1,031,268</u>	<u>121,108</u>	<u>10,007</u>	<u>1,162,383</u>
(unaudited)				
At 1 January 2020	1,016,025	85,662	8,510	1,110,197
Charged /(credited) to profit or loss	<u>—</u>	<u>17,723</u>	<u>(343)</u>	<u>17,380</u>
At 30 June 2020	<u>1,016,025</u>	<u>103,385</u>	<u>8,167</u>	<u>1,127,577</u>

17 Rental deposits, receipts in advance, other payables and accruals

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021 RMB'000
Rental deposits				
- Current portion	7,901	36,712	19,933	37,225
- Non-current portion	<u>57,634</u>	<u>40,849</u>	<u>58,473</u>	<u>55,028</u>
	<u>65,535</u>	<u>77,561</u>	<u>78,406</u>	<u>92,253</u>
Receipts in advance	<u>21,206</u>	<u>18,050</u>	<u>27,568</u>	<u>22,554</u>
Urban real estate tax payables	2,546	2,814	2,369	10,518
Value-added tax, urban construction and maintenance tax, education surcharge and local education surcharge payables	1,347	1,636	1,290	2,363
Accrued payroll	1,100	7,300	8,721	4,222
Accrued interest	<u>—</u>	<u>—</u>	<u>3,399</u>	<u>3,259</u>
Accruals for operating expenses	4,993	11,750	15,779	20,362
Other payables	<u>2,270</u>	<u>1,842</u>	<u>2,550</u>	<u>1,076</u>
Other payables and accruals	<u>7,263</u>	<u>13,592</u>	<u>18,329</u>	<u>21,438</u>
	<u>94,004</u>	<u>109,203</u>	<u>124,303</u>	<u>136,245</u>

The carrying amounts of rental deposits, receipts in advance and other payables and accruals approximate their fair values.

All of the Target Group's rental deposits, receipts in advance and other payables and accruals are denominated in RMB.

18 Borrowings

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Current portion of long term borrowings				
Bank borrowings				
- Secured	—	—	21,810	59,785
Long-term borrowings				
Bank borrowings				
- Secured	—	—	2,870,000	2,865,575
Less: current portion of long-term borrowings	—	—	21,810	59,785
Non-current portion of long-term borrowings	—	—	2,848,190	2,805,790
Analysed into:				
Secured	—	—	2,870,000	2,865,575

Bank loans totalling RMB2,870,000,000 and RMB2,865,575,000 as at 31 December 2020 and 30 June 2021 are secured by certain parts of the Target Property with carrying value of RMB6,760,700,000 and RMB6,818,300,000 respectively (Note 11).

The Target Group's borrowings are repayable as follows:

	As at	As at
	31 December	30 June
	2020	2021
	RMB'000	RMB'000
Within one year	21,810	59,785
Between one and two years	114,020	131,845
Between two and five years	380,200	407,935
Over five years	2,353,970	2,266,010

The effective interest rates (per annum) of the borrowings as at 31 December 2020 and 30 June 2021 were both 4.263%.

The carrying amounts of the borrowings are denominated in RMB and approximate their fair values.

As at 31 December 2020 and 30 June 2021, the Target Group has RMB578,920,000 and RMB583,345,000 undrawn bank borrowing facility respectively.

19 Combined capital and share capital

(a) Combined capital of the Target Group

As mentioned in Note 1.2, the financial information has been prepared as if the structure after the Reorganisation had been in existence throughout the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021. Combined capital represents the combined paid-in capital of the Target Company and the Operating Entities.

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Ordinary shares				
The Target Company (Note (a))	—	—	—	—
The Operating Entities	4,000	4,000	4,000	4,000
	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>

(a) This represents an amount less than RMB1,000. The Target Company's issued capital is 1 share of USD1, equivalent to RMB6.88.

(b) Share capital of the Target Company

	Number of ordinary shares	Share capital USD	Share capital RMB'000
Authorised			
As at 31 December 2018, 2019 and 2020 and 30 June 2021	<u>1</u>	<u>1</u>	<u>—</u>
Issued			
As at 31 December 2018, 2019 and 2020 and 30 June 2021	<u>1</u>	<u>1</u>	<u>—</u>

20 Reserves

	As at 31 December 2018, 2019 and 2020 RMB'000	Dividends for the period RMB'000	As at 30 June 2021 RMB'000
Capital reserves (Note (a))	5,473,287	(2,699,269)	2,774,018
Statutory reserves (Note (b))	<u>2,000</u>	<u>—</u>	<u>2,000</u>
	<u><u>5,475,287</u></u>	<u><u>(2,699,269)</u></u>	<u><u>2,776,018</u></u>

- (a) On 17 May 2017, GCCDL, the immediate holding company of the Operating Entities entered into State-owned Assets Transfer Agreements with the Operating Entities pursuant to which, GCCDL agreed to transfer the assets and liabilities associated with the Target Property to the Operating Entities at nil consideration. The net carrying amounts of the assets and liabilities transferred amounted to RMB5,473,287,000. On 10 May 2021, the board of directors of the Operating Entities declared dividend of RMB3,616,773,000, of which RMB2,699,269,000 was distributed from capital reserves. The dividend was partially satisfied by offsetting their non-trade receivables due from their then shareholder of RMB3,199,491,000, and the remaining RMB417,282,000 was settled in cash.
- (b) According to the rules and regulations applicable to the Target Group's subsidiaries incorporated in the PRC, when distributing net profits of each year, these subsidiaries are required to transfer an amount of their net profits as reported in their statutory accounts to statutory reserves until the accumulated balance of such reserves reaches 50% of their registered capital. Depending on the nature, the statutory reserves can be used to set off accumulated losses of the subsidiaries or distribute to the owners in form of bonus issue.

21 Note to the combined statements of cash flows

(a) Cash generated from operations

	Year ended 31 December			Six months ended	
	2018	2019	2020	30 June	
	RMB'000	RMB'000	RMB'000	2020	2021
				RMB'000	RMB'000
				<i>(unaudited)</i>	
Profit before income tax	625,858	278,621	215,984	147,911	121,874
Adjustments for:					
- Fair value (gains)/losses on investment properties	(414,900)	(39,600)	1,529	—	(62,500)
- Finance income	(2,260)	(2,152)	(2,933)	(1,267)	(620)
- Finance cost	—	—	49,993	—	61,635
Changes in working capital:					
- Deferred assets	20,912	4,217	(211)	1,150	(5,774)
- Trade receivables	1,742	(389)	(998)	(7,009)	(709)
- Amount due from related parties	3,560	455	(1,929)	(1,930)	(941)
- Advanced to related parties	—	—	(11,520)	—	11,405
- Amount due to related parties	(12,286)	(11,034)	23,814	3,346	(23,714)
- Prepayments and other receivables	(889)	140	774	850	439
- Receipts in advance	(8,214)	(3,156)	9,518	(33,807)	(5,014)
- Rental deposits	17,156	12,026	845	(906)	13,847
- Accruals and other payables	(1,865)	6,329	500	14,165	3,249
Cash generated from operations	<u>228,814</u>	<u>245,457</u>	<u>285,366</u>	<u>122,503</u>	<u>113,177</u>

(b) Non-cash financing activities

During the year ended 30 June 2021, dividend of RMB3,616,773,000 declared by the Operating Entities to their then shareholder was partially satisfied by offsetting their non-trade receivables due from their then shareholder of RMB3,199,491,000.

(c) Net-debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	309,688	231,422	349,251	110,061
Borrowings	—	—	(2,870,000)	(2,865,575)
Net debt	<u>309,688</u>	<u>231,422</u>	<u>(2,520,749)</u>	<u>(2,755,514)</u>
			Cash and cash equivalents	Total
			Borrowings	RMB'000
			RMB'000	RMB'000
As at 1 January 2018	—	96,084	96,084	96,084
Cash flows	—	213,604	213,604	213,604
As at 31 December 2018	<u>—</u>	<u>309,688</u>	<u>309,688</u>	<u>309,688</u>
As at 1 January 2019	—	309,688	309,688	309,688
Cash flows	—	(78,266)	(78,266)	(78,266)
As at 31 December 2019	<u>—</u>	<u>231,422</u>	<u>231,422</u>	<u>231,422</u>
As at 1 January 2020	—	231,422	231,422	231,422
Cash flows	(2,870,000)	117,829	(2,752,171)	(2,752,171)
As at 31 December 2020	<u>(2,870,000)</u>	<u>349,251</u>	<u>(2,520,749)</u>	<u>(2,520,749)</u>
As at 1 January 2021	(2,870,000)	349,251	(2,520,749)	(2,520,749)
Cash flows	4,425	(239,190)	(234,765)	(234,765)
As at 30 June 2021	<u>(2,865,575)</u>	<u>110,061</u>	<u>(2,755,514)</u>	<u>(2,755,514)</u>
(Unaudited)				
As at 1 January 2020	—	231,422	231,422	231,422
Cash flows	—	15,820	15,820	15,820
As at 30 June 2020	<u>—</u>	<u>247,242</u>	<u>247,242</u>	<u>247,242</u>

22 Future minimum rental receivables

At 31 December 2018, 2019 and 2020 and 30 June 2021, the Target Group had future minimum rental receivables under certain non-cancellable operating leases as follows:

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021
Within one year	358,117	327,281	295,037	299,217
Between one year and five years	622,313	387,839	524,041	586,325
Over five years	219,657	135,554	62,603	51,671
	<u>1,200,087</u>	<u>850,674</u>	<u>881,681</u>	<u>937,213</u>

23 Significant related party transactions and balances

The Target Company's ultimate holding company is Guangzhou Yue Xiu Holdings Limited. The table below summarised the related companies with whom the Target Group has significant transactions during the Track Record Period and their relationship with the Target Company as at 31 December 2018, 2019 and 2020 and 30 June 2021:

Related companies	Relationship with The Target Company
Chong Hing Bank Limited Guangzhou Sub-Branch ("Chong Hing Guangzhou")	A fellow subsidiary
Chong Hing Bank Limited Guangzhou Tianhe Sub-Branch (previously known as Chong Hing Bank Ltd. Guangzhou Sub-Branch) ("Chong Hing Tianhe")	A fellow subsidiary
Guangzhou City Construction & Development Co. Ltd. ("GCCDL")	A fellow subsidiary
Guangzhou Construction & Development Holdings (China) Limited ("GCD (China)")	A fellow subsidiary
Guangzhou Securities Co., Ltd. (Note a)	A fellow subsidiary
Guangzhou Yuexiu Business Operation Management Co., Ltd.	A fellow subsidiary
Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	A fellow subsidiary
Guangzhou Yuexiu Financial Leasing Co., Ltd.	A fellow subsidiary
Guangzhou Yue Xiu City Construction Jones Lang LaSalle Property Services Co., Ltd. ("GZ JLL")	A fellow subsidiary

Related companies	Relationship with The Target Company
Guangzhou City Construction & Development Xingye Property Agent Ltd. (“Xingye”)	A fellow subsidiary
廣州東秀房地產開發有限公司	A fellow subsidiary
廣州東耀地產開發有限公司	A fellow subsidiary
廣州宏勝房地產開發有限公司	A fellow subsidiary
廣州敏秀房地產開發有限公司	A fellow subsidiary
廣州南方智媒產業園有限公司	A fellow subsidiary
廣州市東風化工實業有限公司	A fellow subsidiary
廣州市東秀房地產開發有限公司	A fellow subsidiary
廣州市宏勝房地產開發有限公司	A fellow subsidiary
廣州市品薈房地產開發有限公司	A fellow subsidiary
廣州市品秀房地產開發有限公司	A fellow subsidiary
廣州市品悅房地產開發有限公司	A fellow subsidiary
廣州市增城區越華房地產開發有限公司	A fellow subsidiary
廣州裕秀房地產開發有限公司	A fellow subsidiary
廣州越創房地產開發有限公司	A fellow subsidiary
廣州越冠房地產開發有限公司	A fellow subsidiary
廣州越秀城開房地產開發有限公司	A fellow subsidiary
廣州越秀華城房地產開發有限公司	A fellow subsidiary
廣州越秀商業地產投資管理有限公司	A fellow subsidiary
廣州越秀商業經營管理有限公司	A fellow subsidiary
廣州樾富房地產開發有限公司	A fellow subsidiary
廣州中環慧富房地產開發有限公司	A fellow subsidiary
廣州資產管理有限公司	A fellow subsidiary
金鷹基金管理有限公司	A fellow subsidiary

Note a: Guangzhou Securities Co., Limited was acquired by CITIC Securities and will no longer be a related party from 14 January 2020.

(a) Transactions with related companies

(i) Provision of lease of properties

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000	2021 RMB'000
廣州資產管理有限公司	6,662	8,607	7,698	2,174	5,655
廣州越秀華城房地產開發有限公司	—	—	—	—	5,127
Guangzhou Yuexiu Financial Leasing Co., Ltd.	11,495	10,459	9,789	4,868	4,580
Chong Hing Guangzhou 金鷹基金管理有限公司	9,071	9,374	9,107	4,529	4,504
GZ JLL	10,073	9,024	8,741	4,347	4,323
廣州越冠房地產開發有限公司	1,035	6,351	6,484	3,210	3,307
廣州越秀城開房地產開發有限公司	—	—	2,392	596	3,004
廣州市宏勝房地產開發有限公司	—	—	—	—	2,403
廣州市東秀房地產開發有限公司	4,074	4,135	3,695	1,837	2,346
廣州樾富房地產開發有限公司	446	1,339	6,535	2,165	2,295
Chong Hing Tianhe 廣州市品薈房地產開發有限公司	—	—	—	—	2,002
廣州裕秀房地產開發有限公司	2,665	3,665	3,497	1,739	1,810
GCCDL	—	—	3,193	1,388	1,786
廣州敏秀房地產開發有限公司	—	—	—	—	1,645
廣州南方智媒產業園有限公司	—	—	1,918	477	1,417
Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	—	—	1,279	318	945
廣州越創房地產開發有限公司	—	—	762	343	472
廣州市增城區越華房地產開發有限公司	—	—	—	—	318
廣州市東風化工實業有限公司	—	—	639	159	313
廣州東耀地產開發有限公司	—	—	1,279	319	308
Guangzhou Securities Co., Ltd.	3,613	3,667	3,553	1,634	268
廣州市品悅房地產開發有限公司	2,010	2,252	—	—	—
廣州市品秀房地產開發有限公司	—	1,076	—	—	—
廣州中環慧富房地產開發有限公司	473	121	—	—	—
	545	—	—	—	—
	<u>52,162</u>	<u>60,070</u>	<u>70,561</u>	<u>30,103</u>	<u>50,328</u>

APPENDIX 2 ACCOUNTANT'S REPORT IN RESPECT OF TARGET GROUP

(ii) Purchase of property management services

	Year ended 31 December			Six months ended	
				30 June	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
廣州越秀商業地產投資管理 有限公司	<u>48,000</u>	<u>33,600</u>	<u>24,480</u>	<u>12,240</u>	<u>24,000</u>

(iii) Purchase of property agency services

	Year ended 31 December			Six months ended	
				30 June	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Guangzhou Yuexiu Business Operation Management Co., Ltd.	<u>10,080</u>	<u>10,749</u>	<u>23,533</u>	<u>5,352</u>	<u>20,034</u>

(iv) Purchase of vacant property management services

	Year ended 31 December			Six months ended	
				30 June	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
GZ JLL	<u>—</u>	<u>—</u>	<u>2,594</u>	<u>—</u>	<u>2,658</u>

(v) Provision of guarantees for borrowings

	Year ended 31 December			Six months ended	
				30 June	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
GCCDL	<u>3,268,750</u>	<u>3,037,500</u>	<u>—</u>	<u>—</u>	<u>—</u>

(vi) Advance to related parties

	Year ended 31 December			Six months ended	
	2018	2019	2020	30 June	
	RMB'000	RMB'000	RMB'000	2020	2021
				<i>(unaudited)</i>	
GCCDL	<u>—</u>	<u>298,545</u>	<u>2,968,767</u>	<u>96,837</u>	<u>120,000</u>

Note:

- (i) All transactions with related companies were carried out in accordance with the terms of the relevant agreements governing the transactions.

(b) Balances with related companies

(i) Amount due from related parties

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021
				<i>(unaudited)</i>
Non-trade:				
GCCDL	63,688	362,233	3,331,000	—
Trade:				
GCCDL	—	—	—	1,575
廣州越秀華城房地產開發有限公司	—	—	—	1,295
廣州市東風化工實業有限公司	—	—	1,000	—
廣州市增城區越華房地產開發有限公司	—	—	666	—
廣州東耀地產開發有限公司	—	—	263	—
廣州市品秀房地產開發有限公司	<u>455</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>64,143</u>	<u>362,233</u>	<u>3,332,929</u>	<u>2,870</u>

(ii) Amount due to related parties

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
GCD (China)	94	99	86	86
GCCDL	89	312	935	80
廣州越秀商業地產投資管理有限公司	12,207	—	8,115	—
Guangzhou Yuexiu Business Operation Management Co., Ltd.	1,615	2,560	16,990	2,905
Xingye	2,664	2,664	2,664	2,664
GZ JLL	—	—	659	—
	<u>16,669</u>	<u>5,635</u>	<u>29,449</u>	<u>5,735</u>

(iii) Rental deposits from related parties

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021 RMB'000
廣州資產管理有限公司	1,268	1,888	2,967	2,967
Guangzhou Yuexiu Financial Leasing Co., Ltd.	1,808	2,530	2,530	2,530
金鷹基金管理有限公司	1,679	2,327	2,327	2,327
Chong Hing Guangzhou	2,164	2,164	2,164	2,164
廣州市東秀房地產開發有限公司	338	338	2,194	1,936
GZ JLL	460	1,004	1,067	1,099
Chong Hing Tianhe	635	635	635	1,070
廣州樾富房地產開發有限公司	—	—	—	1,010
廣州市品薈房地產開發有限公司	—	—	1,001	1,001
廣州越冠房地產開發有限公司	—	—	950	950
廣州裕秀房地產開發有限公司	—	—	—	830
廣州市宏勝房地產開發有限公司	763	763	763	789
廣州敏秀房地產開發有限公司	—	—	714	714
廣州越秀城開房地產開發有限公司	—	—	—	699
廣州越秀華城房地產開發有限公司	—	—	—	698
廣州南方智媒產業園有限公司	—	—	476	476
廣州越創房地產開發有限公司	—	—	—	159
廣州東耀地產開發有限公司	677	677	824	147
廣州市品悅房地產開發有限公司	—	652	—	—
Guangzhou Securities Co., Ltd.	259	215	—	—
廣州中環慧富房地產開發有限公司	112	—	—	—
	<u>10,163</u>	<u>13,193</u>	<u>18,612</u>	<u>21,566</u>

(iv) Advances received from related parties

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021
Chong Hing Guangzhou	190	190	903	919
Guangzhou Yuexiu Financial Leasing Co., Ltd.	861	815	815	737
Chong Hing Tianhe	—	—	317	479
廣州資產管理有限公司	531	669	785	434
廣州樾富房地產開發有限公司	—	—	—	252
金鷹基金管理有限公司	716	716	—	212
廣州裕秀房地產開發有限公司	—	—	—	207
廣州越冠房地產開發有限公司	—	—	—	127
廣州市品薈房地產開發有限公司	—	—	—	106
廣州宏勝房地產開發有限公司	—	—	—	72
廣州越秀城開房地產開發有限公司	—	—	—	64
GZ JLL	—	—	—	46
廣州越創房地產開發有限公司	—	—	—	14
廣州東秀房地產開發有限公司	—	—	—	7
Guangzhou Securities Co., Ltd.	120	—	—	—
	<u>2,418</u>	<u>2,390</u>	<u>2,820</u>	<u>3,676</u>

(v) Advance to related parties

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021
GZ JLL	—	—	—	115
廣州越秀商業地產投資管理有限公司	—	—	11,520	—
	<u>—</u>	<u>—</u>	<u>11,520</u>	<u>115</u>

Non-trade balances with related companies are unsecured, interest-free, repayable on demand and all the balances with related companies are a reasonable approximation to their fair values.

All of the balances are denominated in RMB.

(c) Key management compensation

There was no key management compensation for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021.

24 Subsequent event

The Reorganization as detailed in Note 1.2 to these combined financial statements was completed on 30 August 2021.

II SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or any of its subsidiaries in respect of any period subsequent to 30 June 2021 and up to the date of this report.

No dividend or distribution has been declared or made by the Target Company or any of its subsidiaries in respect of any period subsequent to 30 June 2021.

This appendix summarises the management discussion and analysis of the Target Group for the years ended 31 December 2018, 2019, 2020 and six months ended 30 June 2021. The following financial information is based upon and should be read in conjunction with the Accountant's Report set out in Appendix 2 to this Circular (Accountant's Report).

FINANCIAL OVERVIEW

Revenue

Target Group's revenue for the financial years ended 31 December 2018, 2019, 2020 and six months ended 30 June 2021 consisted of rental income generated with respect to the Property from retail and office rental income. The following table sets forth a breakdown of Target Group's revenue for the periods indicated:

	Year ended 31 December			Six months ended	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Rental income	309,711	343,416	363,046	175,868	192,658
Penalty fee	<u>7,091</u>	<u>7,150</u>	<u>11,866</u>	<u>8,510</u>	<u>5,802</u>
	<u>316,802</u>	<u>350,566</u>	<u>374,912</u>	<u>184,378</u>	<u>198,460</u>

1. Rental income

Retail and office rental income includes the amounts paid by tenants of the Property under their tenancies for retail and office space. The retail and office leases generally have a term of 3 to 5 years. In addition, consistent with market practice, rent-free periods are usually granted on tenancies. Generally, rental income from office and retail space (after taking into account any rent-free periods) is recognized on a straight-line basis over the term of the tenancy.

1.1. Effective rent and occupancy rates

Target Group's retail and office rental income is affected by the Property's rental rates and occupancy rates, which in turn are affected by various factors such as (i) general macroeconomic trends in the PRC in general and in particular Guangzhou; (ii) supply of new properties similar to the Property in Guangzhou; (iii) the age, condition and specifications of the Property as compared to other similar properties in Guangzhou; (iv) the transportation infrastructure, as well as amenities and other supporting facilities, in the vicinity of the Property; and (v) the quality of building management services in respect of the Property.

The following table sets forth information on the average monthly effective rent per leased sq.m. derived from the Property for the periods indicated:

	As at 31 December			As at 30 June	
	2018	2019	2020	2020	2021
	RMB	RMB	RMB	RMB	RMB
Office	168	179	183	179	196
Retail	165	197	194	190	196

Note: Monthly effective rent is calculated as a simple average of the monthly effective rent per leased square metre for each month during the relevant period, which is defined as the monthly effective rental income for a particular month divided by the leased area in respect of the relevant portion of the Property during that month. Leased area is defined as gross rentable area, adjusted for the occupancy rate at the end of the month.

The following table sets forth the occupancy rates of the Property for the periods indicated:

	As at 31 December			As at 30 June	
	2018	2019	2020	2020	2021
	%	%	%	%	%
Office	94.9%	94.5%	94.2%	94.9%	91.3%
Retail	90.5%	100.0%	97.9%	98.7%	95.7%

Note: Occupancy rates are derived by dividing the sum of the occupancy rates as of the end of each month during the relevant period by the number of months in the relevant period.

The Target Group's rental income increased year by year during the periods, this increase was primarily due to rental reversions achieved upon the renewal of the expiring tenancy leases, and the higher effective unit rent in respect of the new leases entered into.

2. *Penalty fee*

Penalty fee consists of the fee arising from the early termination of the lease and other miscellaneous items.

Operating expenses

The operating expenses of Target Group consist primarily of: (1) property management fees; (2) property agency fee; (3) property related taxes; (4) employee benefit expenses and (5) other operating expenses (see note 6 of Appendix 2).

The following table sets out a breakdown of the Target Group's operating expenses for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Property management fee	48,000	33,600	24,480	12,240	24,000
Property agency fee	10,080	10,749	23,533	5,352	20,034
Property related taxes	44,530	45,826	35,824	12,033	24,159
Employee benefit expenses	4,348	22,726	22,193	7,771	6,280
Others	1,146	798	4,340	338	3,598
	<u>108,104</u>	<u>113,699</u>	<u>110,370</u>	<u>37,734</u>	<u>78,071</u>

The Target Group's operating expenses:

- (a) increased by approximately RMB5.595 million, or approximately 5.18%, from approximately RMB108.104 million for the year ended 31 December 2018 to approximately RMB113.699 million for the year ended 31 December 2019;
- (b) decreased by approximately RMB3.329 million, or approximately 2.93%, from approximately RMB113.699 million for the year ended 31 December 2019 to approximately RMB110.37 million for the year ended 31 December 2020; and
- (c) increased by approximately RMB40.337 million, or approximately 106.90%, from approximately RMB37.734 million for the six months ended 30 June 2020 to approximately RMB78.071 million for the six months ended 30 June 2021.

The changes in operating expenses normally was in line with the changes in rental income. The decrease in 2020 was primarily due to the outbreak of the coronavirus disease 2019("COVID-19"), the property manager offered property management fee discount to target group and the PRC Government had provided tax relief also.

Change in fair value of investment properties

Investment properties of the Property comprise the shopping mall, office building and car park that are held for long-term rental yields or for capital appreciation or both. The investment properties were revalued as at ended 31 December 2018, 2019, 2020 and six months ended 30 June 2021 by an independent firm of professional qualified surveyors. Gains or losses arising from changes in fair value are recorded in the combined statement of comprehensive income for the relevant period (see note 11 of Appendix 2).

The Target Group's change in fair value of investment properties:

- (a) as at 31 December 2019, the fair value of investment properties was approximately RMB6,812.5 million. There was an increase in the fair value of investment properties of approximately RMB39.6 million for the year ended 31 December 2019 compared to an increase of approximately RMB414.9 million for the year ended 31 December 2018. The significant fair value change gain recorded in 2018 was mainly due to the substantial increase in effective unit rent;
- (b) as at 31 December 2020, the fair value of investment properties was approximately RMB6,812.2 million. There was slightly decline from the year ended 31 December 2019; and
- (c) as at 30 June 2021, the fair value of investment properties was approximately RMB6,874.7 million. There was an increase in the fair value of investment properties of approximately RMB62.5 million for the year ended 31 December 2020. The increase was primarily driven by the increase in rental income of the investment property.

Finance income

Finance income of the Target Group comprises interest income from bank deposits.

The Target Group's finance income:

- (a) remained relatively stable at approximately RMB2.260 million, approximately RMB2.152 million and approximately RMB2.933 million for the year ended 31 December 2018, 2019 and 2020, respectively; and
- (b) decreased by approximately RMB0.647 million for the six months ended 30 June 2020 to approximately RMB0.62 million for the six months ended 30 June 2021. The decrease was due to lower average bank balances.

Finance expense

Finance expense of the Target Group consists of interest expense on bank borrowings.

The Target Group's finance expense:

- (a) increased by 100.0% from nil for the year ended 31 December 2019 to approximately RMB49.993 million for the year ended 31 December 2020; and
- (b) increased by 100.0% from nil for the six months ended 30 June 2020 to approximately RMB61.635 million for the six months ended 30 June 2021,

The abovementioned increase in the Target Group's finance expense was primarily due to a new secured bank loan being drawn down in August 2020 for repayment of certain intercompany payables and working capital demands.

Income tax expense

Tax expense of the Target Group comprises current and deferred tax.

1. Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Target Group operates and generate taxable income.

2. Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill and the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

For the year ended 31 December 2018, the Target Group recorded an income tax expense of approximately RMB156.563 million mainly due to the increase in fair value of investment properties.

For the year ended 31 December 2019, the Target Group recorded an income tax expense of approximately RMB69.656 million mainly due to the tax payable on operating profit.

For the year ended 31 December 2020 and the six months ended 30 June 2020, the Target Group recorded an income tax expense of RMB54.004 million and RMB36.978 million, respectively, mainly due to the increase in the Target Group's finance expense during the second half of 2020.

For the six months ended 30 June 2021, the Target Group recorded an income tax expense of RMB30.500 million, and the amount decrease compared with the first half of 2020 was primarily a result of an increase in financing costs.

Profit and total comprehensive income for the period

The Target Group's profit and total comprehensive income for the period:

- (a) decreased by approximately 55.47%, from approximately RMB469.295 million for the year ended 31 December 2018 to approximately RMB208.965 million for the year ended 31 December 2019;
- (b) decreased by approximately 22.48%, from approximately RMB208.965 million for the year ended 31 December 2019 to approximately RMB161.980 million for the year ended 31 December 2020; and
- (c) decreased by approximately 17.63%, from approximately RMB110.933 million for the six months ended 30 June 2020 to approximately RMB91.374 million for the six months ended 30 June 2021.

The fluctuations of the Target Group's loss in each of the years/periods referred to above were primarily attributable to the foregoing reasons as discussed above

Liquidity, Financial Resources and Capital Structure

The Target Group financed its operations and working capital requirements primarily through a combination of capital injection from ultimate holding companies and bank borrowings.

Cash and cash equivalents

As at 31 December 2018, 2019 and 2020 and 30 June 2021, the Target Group had cash and cash equivalents amounting to RMB309.688 million, RMB231.422 million, RMB349.251 million and RMB110.061 million, respectively. All the cash and cash equivalents held by the Target Group were denominated in RMB.

Borrowings and credit facilities

The Target Group only had one bank loan which had withdrawn in August 2020. As at 31 December 2020 and 30 June 2021, the total balance of the bank loan was RMB2,870.0 million and RMB2,865.575 million, respectively, which were all denominated in RMB.

The following table sets out a breakdown of the Target Group's borrowings as at the dates indicated:

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Current portion of long term borrowings				
Bank borrowings				
- Secured	<u>—</u>	<u>—</u>	<u>21,810</u>	<u>59,785</u>
Long-term borrowings				
Bank borrowings				
- Secured	<u>—</u>	<u>—</u>	<u>2,870,000</u>	<u>2,865,575</u>
Less: current portion of long-term borrowings	<u>—</u>	<u>—</u>	<u>21,810</u>	<u>59,785</u>
Non-current portion of long-term borrowings	<u>—</u>	<u>—</u>	<u>2,848,190</u>	<u>2,805,790</u>
Analysed into:				
Secured	<u>—</u>	<u>—</u>	<u>2,870,000</u>	<u>2,865,575</u>

The effective interest rates (per annum) of the borrowings as at 31 December 2020 and 30 June 2021 were both 4.263%.

Charge on Assets

As at 31 December 2020 and 30 June 2021, the Target Group had investment property with carrying value of RMB6,760.7 million and RMB6,818.3 million, respectively, as securities for the Target Group's bank borrowings.

Gearing Ratio

Gearing ratio (total debts divided by total assets) of the Target Group was 27.17% and 40.63% as at 31 December 2020 and 30 June 2021, respectively. Total debts are equal to the Target Group's total borrowings.

Foreign Currency and Hedging

The Target Group conducts its business in the PRC and all transactions are denominated in RMB. Therefore, the Target Group has no foreign exchange risk exposure. In addition, the Target Group has not used any financial instrument to hedge potential fluctuation in interest rates and exchange rates.

Contingent Liabilities

As at 31 December 2018, 2019 and 2020 and 30 June 2021, the Target Group did not have any material contingent liabilities.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, there was no material acquisitions and disposals of subsidiaries, associates and joint ventures.

Significant Investments

During the Reporting Period, there was no significant investment held by the Target Group.

Future Plans for Material Investments or Capital Assets

As at 30 June 2021, the Target Group did not have any material capital commitments.

**(A) BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

The following unaudited pro forma consolidated statement of assets and liabilities and unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group (the “Unaudited Pro Forma Financial Information”) has been prepared on the basis of the notes set out below and in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effects of the Acquisition and the Rights Issue on the consolidated statement of assets and liabilities and the consolidated statement of comprehensive income of the Enlarged Group, as if the Acquisition and the Rights Issue had been completed on 30 June 2021 for the unaudited pro forma consolidated statement of assets and liabilities and on 1 January 2021 for the unaudited pro forma consolidated statement of comprehensive income.

The Unaudited Pro Forma Financial Information has been prepared based on (i) the use of accounting policies consistent with that of Yuexiu REIT, as set out in the published annual report of Yuexiu REIT for the year ended 31 December 2020 and the new/revised accounting standards adopted in the published interim report of Yuexiu REIT for the six months ended 30 June 2021; (ii) the unaudited interim condensed consolidated balance sheet and the unaudited interim condensed consolidated statement of comprehensive income of Yuexiu REIT as at and for the six months ended 30 June 2021, as set out in its published interim report for the six months ended 30 June 2021; (iii) the combined balance sheet and the combined statement of comprehensive income of the Target Group as at and for the six months ended 30 June 2021; and (iv) the pro forma adjustments prepared to reflect the effects of the Acquisition and the Rights Issue as explained in the notes set out below that are directly attributable to the Acquisition and the Rights Issue and not relating to future events or decisions and are factually supportable.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of Yuexiu REIT as contained in the published interim report of Yuexiu REIT for the six months ended 30 June 2021 and the accountant’s report of the Target Group as set out in Appendix 2 to this Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Manager for illustrative purposes only and is based on a number of assumptions, estimates and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position and the financial performance of the Enlarged Group had the Acquisition been completed as at 30 June 2021 or 1 January 2021, where applicable, or at any future date.

APPENDIX 4
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**
**(I) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND
LIABILITIES OF THE ENLARGED GROUP AS AT 30 JUNE 2021**

	The Group as at 30 June 2021	The Target Group as at 30 June 2021	Pro forma adjustments			Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2021
			RMB'000	RMB'000	RMB'000	
	Note 1	Note 2	Note 3	Note 4	Note 5	RMB'000
ASSETS						
Non-current assets						
Property, plant and equipment	2,115,771	—				2,115,771
Right-of-use assets	1,270,893	—				1,270,893
Investment properties	29,730,000	6,874,700	885,274	64,500		37,554,474
Deferred assets	191,234	33,408				224,642
Goodwill	859,868	—				859,868
Other receivables	—	21,007				21,007
	<u>34,167,766</u>	<u>6,929,115</u>				<u>42,046,655</u>
Current assets						
Inventories	3,965	—				3,965
Trade receivables	19,346	2,713				22,059
Amounts due from related parties	42,675	2,870				45,545
Deferred assets, prepayments, deposits and other receivables	105,938	6,618				112,556
Tax recoverable	4,072	—				4,072
Advanced to related parties	—	115				115
Prepayments, deposits and other receivables	—	1,100				1,100
Short-term bank deposits	23,463	—				23,463
Cash and cash equivalents	1,769,966	110,061	(7,774,617)	6,948,822		1,054,232
	<u>1,969,425</u>	<u>123,477</u>				<u>1,267,107</u>
Total assets	<u>36,137,191</u>	<u>7,052,592</u>				<u>43,313,762</u>

APPENDIX 4
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group as at 30 June 2021	The Target Group as at 30 June 2021	Pro forma adjustments			Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2021	
			RMB'000	RMB'000	RMB'000		RMB'000
			Note 1	Note 2	Note 3		Note 4
LIABILITIES							
Current liabilities							
Trade payables	19,139	—				19,139	
Rental deposits, current portion	147,974	37,225				185,199	
Receipt in advance	85,720	22,554				108,274	
Accruals and other payables	409,953	21,438				431,391	
Amounts due to related parties	115,543	5,735				121,278	
Current tax liabilities	104,271	12,968				117,239	
Lease liabilities	10,490	—				10,490	
Borrowings	842,461	59,785	(59,785)			842,461	
	<u>1,735,551</u>	<u>159,705</u>				<u>1,835,471</u>	
Non-current liabilities, other than net assets attributable to unitholders							
Rental deposits, non-current portion	217,441	55,028				272,469	
Borrowings	13,175,076	2,805,790	(2,805,790)	3,752,248		16,927,324	
Deferred tax liabilities	5,060,238	1,160,677	(1,152,376)		19,642	5,088,181	
Derivative financial instruments-non-current	172,350	—				172,350	
Lease liabilities-non-current	4,596	—				4,596	
	<u>18,629,701</u>	<u>4,021,495</u>				<u>22,464,920</u>	
Total liabilities, other than net assets attributable to unitholders							
	20,365,252	4,181,200				24,300,391	
Net assets attributable to unitholders	<u>14,564,303</u>	<u>—</u>		3,261,074	(19,642)	<u>17,805,735</u>	
Total liabilities	<u>34,929,555</u>	<u>4,181,200</u>				<u>42,106,126</u>	
Net assets	<u>1,207,636</u>	<u>2,871,392</u>	(2,871,392)			<u>1,207,636</u>	

(II) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME OF THE ENLARGED GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2021

	The Group for the six months ended 30 June 2021	The Target Group for six months ended 30 June 2021	Pro forma adjustments				Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group for the six months ended 30 June 2021	
			RMB'000	RMB'000	RMB'000	RMB'000		RMB'000
	Note 6	Note 7	Note 8	Note 5	Note 9	Note 10	Note 11	RMB'000
Revenue	881,684	198,460					13,821	1,093,965
Operating expenses, net	(416,317)	(78,071)	(10,877)		(17,041)	47,951	(481)	(474,836)
Fair value gain on investment properties	18,513	62,500						81,013
Change in fair value of - derivative financial instruments	6,326	—						6,326
Finance income	144,987	620						145,607
Finance expenses	(244,112)	(61,635)	35,115					(270,632)
Profit before income tax and transactions with unitholders	391,081	121,874						581,443
Income tax expense	(105,482)	(30,500)	16,011	(19,642)		(11,987)	(835)	(152,435)
Profit after income tax before transactions with unitholders	285,599	91,374						429,008
Transactions with unitholders	(255,061)	(91,374)						(398,470)
Profit after income tax and transactions with unitholders	<u>30,538</u>	<u>—</u>						<u>30,538</u>
Other comprehensive income for the period:								
<i>Items that will not be reclassified to profit or loss</i>								
Change in fair value of property, plant and equipment, net of tax								
— Gross	(15,289)	—						(15,289)
— Tax	4,284	—						4,284
Other comprehensive income for the period, net of tax	<u>(11,005)</u>	<u>—</u>						<u>(11,005)</u>
Total comprehensive income for the period	<u>19,533</u>	<u>—</u>						<u>19,533</u>
Total distributable income (Note 15)	<u>340,221</u>	<u>—</u>						<u>471,500</u>
Distribution per unit (RMB) (Note 15)	<u>0.1020</u>	<u>—</u>						<u>0.1030</u>

Notes:

1. The balances are extracted from the unaudited interim condensed consolidated balance sheet of Yuexiu REIT as at 30 June 2021 as set out in Yuexiu REIT's published interim report for the six months ended 30 June 2021.
2. The balances are extracted from the audited combined balance sheet of the Target Group as at 30 June 2021 as set out in Appendix 2 to this circular.
3. For the purpose of the preparation of the unaudited pro forma financial information, the consideration for the Acquisition is calculated based on the total consideration of RMB7,774.6 million (being the sum of (1) the Repayment Amount of the Intercompany Payables of RMB7,800 million that is expected to be outstanding immediately before the Acquisition Completion and (2) the Share Consideration of negative RMB25.4 million, being the Agreed Acquisition Amount of RMB7,800 million and the Target Group Adjusted NAV of negative RMB7,825.4 million, for the purpose of this unaudited pro forma financial information, determined based on the financial position of the Target Group as of 30 June 2021 and the expected Intercompany Payables) and adjusted with the total borrowings of RMB2,865.6 million of the Target Group as at 30 June 2021 which would be repaid by the Yuexiu Property Group before the Completion Date.

For the purpose of the preparation of the unaudited pro forma financial information, the Manager considers that the Target Group is not a business and accordingly such acquisition is not accounted for as an acquisition of business but as an acquisition of assets pursuant to HKFRS 3 "Business Combination". Accordingly, the corresponding pro forma adjustments of the consideration is adjusted to the investment properties. Also, the deferred tax liabilities recognized by the Target Group as at 30 June 2021 in respect of taxable temporary difference that arose from the investment properties before the Acquisition is reversed as these taxable temporary differences arose from the initial recognition of the investment properties in a transaction would be borne by Yuexiu Property Group under the Acquisition Deed. The final allocation of the purchase price is subject to change at the Completion Date, pending amongst others, the respective fair values of the relevant assets and liabilities of the Target Group as at the Completion Date.

The pro forma adjustment to investment properties is calculated as follows:

	<i>RMB'000</i>
Cash consideration	7,774,617
Less: Adjusted net asset value of the Target Group as at 30 June 2021 (note a)	<u>(6,889,343)</u>
Proforma adjustment to the investment properties	<u>885,274</u>

Note a:

Net asset value of the Target Group as at 30 June 2021 extracted from the Appendix 2	2,871,392
Adjusted by:	
Borrowings — current	59,785
Borrowings — non-current	2,805,790
Deferred tax liabilities	<u>1,152,376</u>
Adjusted net asset value of the Target Group as at 30 June 2021	<u>6,889,343</u>

4. For the purpose of preparing the pro forma financial information, the total consideration for the Acquisition of RMB7,774.6 million and the estimated transaction costs of RMB64.5 million that are directly attributable to the Acquisition will be settled by 1) the drawdown of the New Bank Facility which amounts to approximately

RMB3,752.2 million net of transaction costs, 2) the proceeds of approximately RMB3,261.1 million from the proposed Rights Issue by issuing 1,234,403,038 units at HKD3.20 per each Rights Issue Unit (after deducting the relevant transaction costs for the proposed Rights Issue if any and assuming that there is no change in the number of issued unites on or before the Rights Issue Record Date) and 3) the cash and bank balance of Yuexiu REIT of RMB825.8 million.

5. The adjustment on deferred tax liabilities for withholding tax on the unremitted earnings of the PRC subsidiaries of the Target Company is calculated at a tax rate of 10%. The adjustment has a recurring nature.
6. The amounts represent the financial results of Yuexiu REIT for the six months ended 30 June 2021, which are extracted from the unaudited interim condensed consolidated statement of comprehensive income of Yuexiu REIT as set out in the published interim report for the six months ended 30 June 2021.
7. The amounts are derived from the audited combined statement of comprehensive income of the Target Group for the six months ended 30 June 2021 included in the Accountant's Report as set out in Appendix 2 to this Circular.
8. The adjustment represents the net impact of 1) the reversal of finance costs on the bank borrowings of the Target Group due to the assumed settlement of the bank borrowings before the completion of the Acquisition and 2) finance costs incurred by Yuexiu REIT for the drawdown of the New Bank Facility for the Acquisition, the corresponding value added tax and surcharge and the corresponding income tax effect calculated at applicable enterprise income tax rate.
9. Pursuant to the Trust Deed, the Manager of Yuexiu REIT is entitled to receive in aggregate of manager's fee calculated at 3% per annum of the net property income of properties owned by Yuexiu REIT and a base fee of 0.3% per annum on the carrying value of the Deposited Property. After taking into account the effect of the Acquisition, should the terms in the Trust Deed remain unchanged, an additional manager's fee of RMB15.8 million for the six months ended 30 June 2021 would be charged. The adjustment has a recurring nature.

Also, pursuant to the Trust Deed, Yuexiu REIT will pay the Trustee a fee of 0.03% per annum of the carrying value of the Deposited Property. After taking into account the effect of the Acquisition, should the terms in the Trust Deed remain unchanged, an additional trustee fee of RMB1.2 million for the six months ended 30 June 2021 would be charged. The adjustment has a recurring nature.

10. Pursuant to the Tenancy Service Agreement, the tenancy service of the Target Group will be handled by Guangzhou Yuexiu Yicheng Business Operation Management Company Limited. The tenancy service fee of RMB5.7 million is calculated based on 3.0% of the gross annual revenue. Adjustments also include related income tax credit of RMB1.4 million for the six months ended 30 June 2021 and also the reversal of the existing property management expenses incurred by the Target Group and related income tax expenses for the six months ended 30 June 2021. The adjustment has a recurring nature.
11. Pursuant to the Carpark Master Lease Agreement, the Carpark Spaces will be master-leased to Guangzhou Huicheng Industry Development Company Limited after the Completion for RMB14.2 million per annum. The adjustment represents the recognition of Carpark Master Lease income of RMB7.1 million, related surcharge tax expenses of RMB0.9 million and related income tax expense of RMB1.5 million for the six months ended 30 June 2021. The adjustment also represents the reversal of the existing Carpark Master Lease income, related surcharge tax expenses and related income tax expense for the six months ended 30 June 2021.

Pursuant to the Naming Rights Agreement, the advertising spaces will be master-leased to Yuexiu Property after the Completion for RMB20.0 million per annum. The adjustment represents the recognition of Naming Rights income of RMB10.0 million for the six months ended 30 June 2021. The adjustment has a recurring nature.

12. Unless otherwise stated the adjustments above do not have a recurring effect.
13. Apart from the above, no adjustments have been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2021. In particular, on 16 September 2021, the PRC Intermediary Companies and the Project Companies entered into a merger agreement pursuant to which the parties agreed to merge by the Project Companies' absorption of the PRC Intermediary Companies (the "Reverse Merger"). Upon the completion of the Reverse Merger, the PRC Intermediary Companies will be deregistered and their assets (save for their equity interests in the Project Companies) and liabilities will be undertaken by the Project Companies. Management expects that the Reverse Merger will enhance the Enlarged Group's distributable income to the Unitholders. As mentioned in Section 4.3 of the "Letter to the Unitholders", there are certain procedural steps required to legally effect the Reverse Merger under PRC law and there is no assurance that the Reverse Merger will be completed after the completion of the Acquisition and the Rights Issue. The Reverse Merger is not a subject matter for the purpose of this unaudited pro forma financial information.
14. Total distributable income in respect of the Enlarged Group is determined in accordance with the Trust Deed, the 2012 Circular and the interim results announcement of Yuexiu REIT for the six months ended 30 June 2021, that is, the consolidated profit after income tax before transactions with unitholders attributable to unitholders for the six months ended 30 June 2021, after adjusting fair value gains on investment properties, deferred taxation in respect of fair value gains on investment properties charged to profit or loss, foreign exchange gain on financing activities, depreciation and amortisation of property, plant and equipment and land use rights under HKFRS, deferred taxation in respect of the depreciation and amortisation of investment properties, property, plant and equipment and land use rights, manager's fee paid and payable in units in lieu of cash, fair value loss on derivative financial instruments and other non-cash adjustments.
15. The distribution per unit of the Group for the six months ended 30 June 2021 is disclosed in the published interim results announcement of the Group for the six months ended 30 June 2021.

The calculation of distribution per unit of the Enlarged Group is arrived at on the basis of the total distributable income after additional items of the Enlarged Group of RMB471.5 million and on the basis that 3,319,288,000 Units were in issue as at 30 June 2021, 25,814,000 new Units are issued for payment of manager's fee and 1,234,403,038 Units are issued for the proposed Rights Issue.

Number of Units in issue as at 30 June 2021 ('000)		3,319,288
Add:		
- New Units issued for the payment of 80% manager's fee for the Group ('000)	(a)	16,936
- New Units issued for the payment of the remaining 20% manager's fee for the Group ('000)	(b)	4,199
- New Units issued for the payment of manager's fee for the Target Group assuming the Acquisition had been completed on 1 January 2021 ('000)	(c)	4,679
- New Units issued for the proposed Rights Issue ('000)	(d)	<u>1,234,403</u>
Total number of Units entitled to the distribution ('000)		<u><u>4,579,505</u></u>

- (a) The newly issued units were agreed to Yuexiu REIT's announcement dated 26 August 2021.
- (b) For the purpose of the unaudited pro forma financial information of the Enlarged Group, an assumed issue price of HKD4.069 per unit is adopted for the New Units to be issued as payment of the remaining 20% of the Manager's Fee for the Group, which is based on the higher of the average closing price 10 days immediately preceding 30 June 2021 or the closing unit price on 30 June 2021, pursuant to the Trust Deed.

- (c) For the purpose of the unaudited pro forma financial information of the Enlarged Group, an assumed issue price of HKD4.069 per unit is adopted for the New Units to be issued as payment of 100% of the Manager's Fee for the Target Group, which is based on the higher of the average closing price 10 days immediately preceding 30 June 2021 or the closing unit price on 30 June 2021, pursuant to the Trust Deed.
 - (d) For the purpose of the unaudited pro forma financial information of the Enlarged Group, an assumed issue price of HKD3.20 per each Rights Issue Unit is adopted for the New Units to be issued for the proposed Rights Issue.
16. The net asset value per Unit is approximately HKD4.67 and the calculation of the net asset value per Unit is arrived at on the basis of the net assets attributable to Unitholders extracted from the Unaudited Pro Forma Financial Information upon the completion of the Acquisition and the Rights Issue of approximately RMB17,805,735,000 (equivalent to approximately HKD21,399,066,000) and on the basis that 4,579,505,000 Units will be in issue upon the completion of the Acquisition and the Rights Issue.

The following is the text of a report on the unaudited pro forma financial information of the Enlarged Group received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Yuexiu REIT Asset Management Limited, the Manager of Yuexiu Real Estate Investment Trust (the "Manager")

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Yuexiu Real Estate Investment Trust ("Yuexiu REIT") and its subsidiaries (collectively the "Group") and Gain Force Investments Limited (the "Target") and its subsidiaries (the "Target Group") by the directors of the Manager for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2021, the unaudited pro forma consolidated statement of comprehensive income for the period ended 30 June 2021 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages A4-1 to A4-8 of Yuexiu REIT's circular dated 13 November 2021 (the "Circular"), in connection with the proposed acquisition of the Target (the "Transaction") by Yuexiu REIT. The applicable criteria on the basis of which the directors of the Manager have compiled the Unaudited Pro Forma Financial Information are described on pages A4-1 to A4-8 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Manager to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2021 and its financial performance for the six months ended 30 June 2021 as if the Transaction had taken place at 30 June 2021 and 1 January 2021 respectively. As part of this process, information about the Group's financial position and financial performance has been extracted by the directors of the Manager from the Group's financial statements for the period ended 30 June 2021, on which a review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Manager is responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), as if paragraph 4.29 of the Listing Rules were applicable to Yuexiu REIT and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, as if paragraph 4.29 of the Listing Rules were applicable to Yuexiu REIT, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors of the Manager have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules, as if paragraph 4.29 of the Listing Rules were applicable to Yuexiu REIT and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or a review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 June 2021 or 1 January 2021 respectively would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Manager in the

compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Manager of Yuexiu REIT on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules, as if paragraph 4.29 of the Listing Rules were applicable to Yuexiu REIT.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 13 November 2021

The following is the text of a letter and valuation report received from Colliers International (Hong Kong) Limited, the Independent Property Valuer, in connection with the valuation of the Property, in each case as at 31 August 2021 and for the purpose of inclusion in this Circular.



Yuexiu REIT Asset Management Limited
as the “Manager” of “Yuexiu Real Estate Investment Trust”

17B, Yue Xiu Building,
No. 160 Lockhart Road,
Wanchai, Hong Kong

HSBC Institutional Trust Services (Asia) Limited
as the “Trustee” of “Yuexiu Real Estate Investment Trust”

17th Floor, Towers 2& 3, HSBC Centre,
No. 1 Sham Mong Road,
Kowloon, Hong Kong

Our Ref: CIP000181(20-833_GH)_1

13 November 2021

Dear Sir or Madam,

Valuation of Yuexiu Financial Tower, No. 28 Zhu Jiang East Road, Tianhe District, Guangzhou, Guangdong Province, the PRC (the “Property”)

INSTRUCTIONS

We refer to the instructions received from the Manager and the Trustee of “Yuexiu Real Estate Investment Trust” (“Yuexiu REIT”) (the “Client”) for us to assess the market value of Yuexiu Financial Tower, No.28 Zhu Jiang East Road, Tianhe District, Guangzhou, Guangdong Province, the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquires and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the Property as at 31 August 2021 (the “Valuation Date”), for Acquisition Purposes.

BASIS OF VALUATIONS

Our valuation is provided on the basis of Market Value, which we would define as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Colliers International (Hong Kong) Limited
Valuation & Advisory Services
Company Licence No.: C-006052

Suite 5701, Central Plaza,
No. 18 Harbour Road,
Wanchai, Hong Kong

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colliers.com

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION STANDARDS

The valuation has been carried out in accordance with the latest edition of Royal Institution of Chartered Surveyors (the “RICS”) Valuation - Global Standards, the HKIS Valuation Standards 2020 of The Hong Kong Institute of Surveyors (“HKIS”), incorporating the International Valuation Standards of the International Valuation Standards Council (“IVSC”). We have also complied with the requirements set out in Chapter 6 of the Code on Real Estate Investment Trusts (the “REIT Code”), Chapter 5, Practice Note 12 of the Listing Rules and Rule 11 of the Code on Takeovers and Mergers.

QUALIFICATIONS OF THE VALUER

The valuation has been prepared by Ms. Zhirong He (Flora He) (RICS Registration No.:1259301) and Ms. Dorothy Chow (RICS Registration No.:852464).

Ms. Flora He is a Fellow of the Royal Institution of Chartered Surveyors. Flora is the Executive Director and Head of China Valuation and Advisory services team at Colliers International. She is suitably qualified to carry out the valuation and has over 18 years’ experience in the valuation of property of this magnitude and nature in China.

Ms. Dorothy Chow, Executive Director of the Valuation and Advisory Services, Asia at Colliers International is an experienced competent valuer and has over 24 years’ experience in undertaking valuation of this type in Hong Kong and China. She is a Member of the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors and a Registered Professional Surveyor under the Surveyors Registration Ordinance (Cap.417) in the Hong Kong Special Administrative Region.

We confirm that neither the valuers nor Colliers International are aware of any pecuniary interest or conflict that could reasonably be regarded as being capable of affecting the ability to give an unbiased and objective, opinion of the value of the Property interest.

VALUATION APPROACHES

In arriving at our opinion of value, we have considered relevant general and economic factors and in particular have investigated recent sales and leasing transactions and / or offerings of comparable property. In the course of our valuation, we have principally adopted the Income Capitalisation Method and cross-checked by the Market Approach.

Income Capitalisation Method estimates the value of property or assets on a market basis by capitalising net rental income on a fully leased basis. This method is used when a property or asset is leased out for a specific term(s). This technique considers both the current passing rental income

from existing tenancies and the potential future reversionary income at market level, by capitalising both at appropriate rates. In calculating the net rental income for this purpose, deduction is made for outgoings such as property management fees, capital expenditure, vacancy loss, and other necessary expenses.

Market Approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. By analysing such sales, which qualify as ‘arms-length’ transactions, between willing buyers and sellers, adjustments are made for size, location, time, amenities and other relevant factors when comparing such sales prices to assess the value of the subject asset. This approach is commonly used to value assets where reliable sales evidence of assets of a similar nature is available.

SOURCES OF INFORMATION

Although we have made independent enquires as much as possible, we have relied to a very considerable extent on the information provided by the Client and its legal advisor in respect of the titles of the Property interest in the PRC. We also have accepted such information given to us as being true and correct for valuation purposes. This has included such matters as ownership title, site and floor areas, statutory notices, easements, tenure, joint venture agreements, the identification of the property interests and all other relevant matters.

We have also been advised by the Client that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Client which is material to the valuation.

TITLE DOCUMENTS

We have been provided with copies or extracts of all title documents relating to the property interests and have made relevant enquires where possible. Due to the nature of the land registration system in the PRC, however, we have not examined the original documents to verify the existing titles to the property interests in the PRC or any material encumbrances that might be attached to the property interests or any lease amendments. We have relied on the advice given by the Manager and its legal adviser on the laws of the PRC, “King & Wood Mallesons Law Firm” (hereinafter referred to as the “PRC Legal Adviser”) regarding title to and ownership of the Property. For the purpose of our valuation, we have taken the legal opinion prepared by the PRC Legal Adviser into account, in particular title, ownership, encumbrances and so on of the Property.

All title documents disclosed in this letter, the summary of values and the summary reports are for reference only. No responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this letter, the summary of values and the valuation summary reports.

ASSUMPTIONS AND CAVEATS

Our valuation has been made on the assumption that the owners can sell the Property on the open market without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of the Property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property valued nor for any expenses or taxation which may be incurred in effecting a sale. It is advised by the PRC Legal Adviser that Yuexiu Financial Tower Project Companies legally own, occupy, transfer and lease out the Property in accordance with the relevant PRC laws free from encumbrances, subject to the conditions of the relevant pre-sale permits and existing leases and consent of mortgagees (if any), and applicable local laws and regulations.

We have conducted the valuation assuming:

- the information about the Property provided are true and correct;
- the Property are free from contamination and the ground conditions are satisfactory;
- The tenanted property will continue to be occupied and maintained in good order.
- Where applicable no structural survey or testing of the services within or connected to the Property has been carried out. As appropriate we have assumed the Property are structurally sound, maintained in a condition fit for purpose, with all provided services in working order.
- We have valued the Property assuming no reduction in value to reflect any possible diminution in value resulting from a placing of the Property on the market together as one at the same time for sale.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value.

Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation is therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Valuation — Global Standards. Consequently, less certainty — and a higher degree of caution — should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the Property under frequent review.

This valuation report is also subject to our standard Caveats and Assumptions attached at the appendix.

SITE MEASUREMENT

We have not carried out on-site measurements to verify the correctness of the site areas in respect of the Property but have assumed that the areas shown on the documents and plans provided to us are true and correct in all respects. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

SITE INSPECTION

We have inspected the exterior and, where possible, the interior of the Property upon the instruction received. No structural surveys or environmental assessments have been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the Property are free of rot, infestation or any other structural defects. No tests were carried out on any of the services. We have assumed such are in good order for the purpose of valuation.

Please be advised we have not carried out investigations to determine the suitability of the ground conditions and the services etc. for any future development. Our valuation has been prepared on the assumption that these aspects are satisfactory.

Site inspection of the Property was carried out by Ms. Zhirong He (Flora He) (RICS Registration No.:1259301) and Ms. Zijuan Xu (Cheryl Xu) (CIREA Registration No.:4420150019) on 30 July 2021.

MARKET COMMENTARY

GUANGZHOU

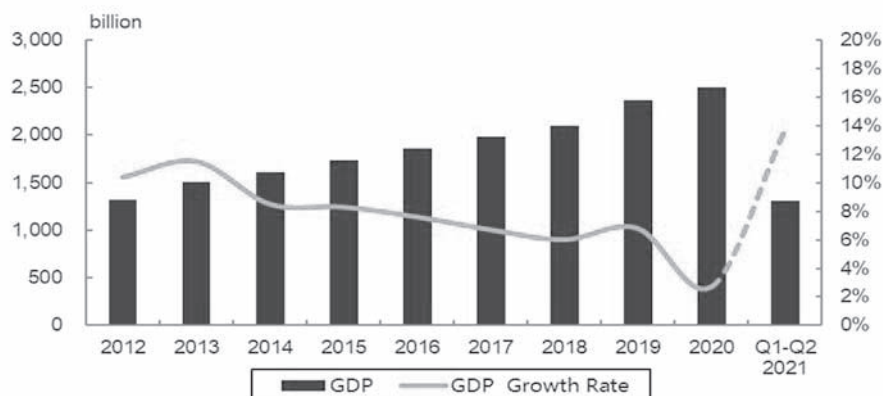
Overview

Guangzhou is the capital of Guangdong Province, acting as the political, economic, scientific, technological, educational, and cultural centre. It is also the important central city, an international trade centre and a comprehensive transportation hub in China. By 2020, Guangzhou has a total area of 7,434.4 square kilometres and a total permanent population of about 18.7 million.

As of end of Q2 2021, Guangzhou recorded GDP of RMB1,310.2 billion, with a year-on-year (YOY) increase of 13.7% and an average YOY growth rate of 5.2% for two consecutive years. The secondary industry contributed to RMB342.1 billion with 16.3% YOY growth. The added value of the tertiary industry was RMB955.8 billion, with a YOY increase of 12.8% and an average YOY increase of 5.8% over the two years.

The service industry also rebounded stably. In the first five months of 2021, the operating income of the service industry above designated size had a YOY growth rate of 31.8%. The recovery of commodity sales had accelerated. In the first half of 2021, the city's total retail sales of consumer goods were RMB503.4 billion, achieving a YOY increase of 19.0%, and an increase of 3.3% for two consecutive years. The city's fixed asset investment grew by 26.5% YOY and an average growth rate of 13.3% over the two years.

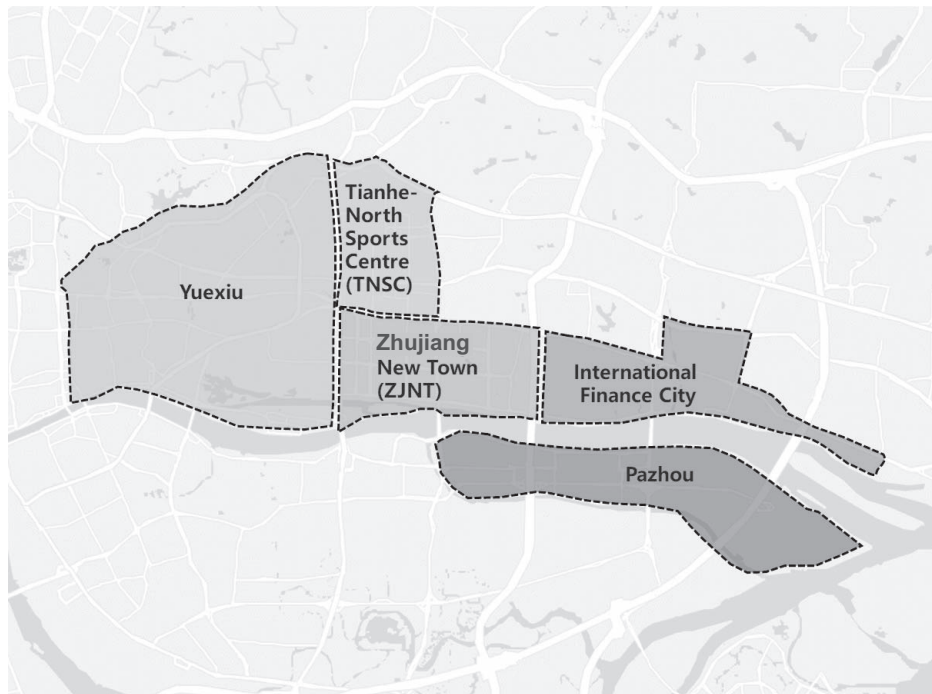
GDP and GDP Growth Rate of Guangzhou, 2012 — Q2 2021



Source: Guangzhou Statistics Bureau

Guangzhou Office Property Market

Grade A offices in Guangzhou are mainly clustered in five areas: Tianhe North — Sports Centre (TNSC), Zhu Jiang New Town (ZJNT), Yuexiu, International Finance City, and Pazhou. Tianhe North — Sports Centre is the traditional CBD and second largest business area in terms of office space, hosting many state-owned enterprises, governmental agencies and institutes. ZJNT is the current CBD of Guangzhou, hosting 13 MNC China headquarters, 140 Fortune 500 enterprises, among many other domestic private business entities. Yuexiu submarket is the traditional business trade centre with companies mainly in cultural, educational, domestic & international trade, and tourism industries. Pazhou and International Finance City are the two emerging markets. Pazhou is positioned as the regional headquarter base, aiming to attract domestic and international companies to allocate their regional headquarters in the area. International Finance City is a newly planned financial CBD specialised in building comprehensive financial industry chain in Guangzhou.

Map of Guangzhou Office Submarkets

Source: Colliers

In Q2 2021, about 73,000 square metres (sq.m.) supply entered the market brought by the new supply of Siyou Vanke Centre (寺右萬科中心). At the same time, the absorption reached about 110,000 sq.m., resulted in the decrease of vacancy rate to 7.2%.

There was no new supply in Tianhe-North Sports Centre and Yuexiu Submarket in Q2 2021. The vacancy rate of Tianhe-North Sports Centre and Yuexiu Submarket dropped down slightly to 9.7% and 7.9% respectively. While the rental remained stable at RMB164.0 per sq.m. per month and RMB128.9 per sq.m. per month respectively.

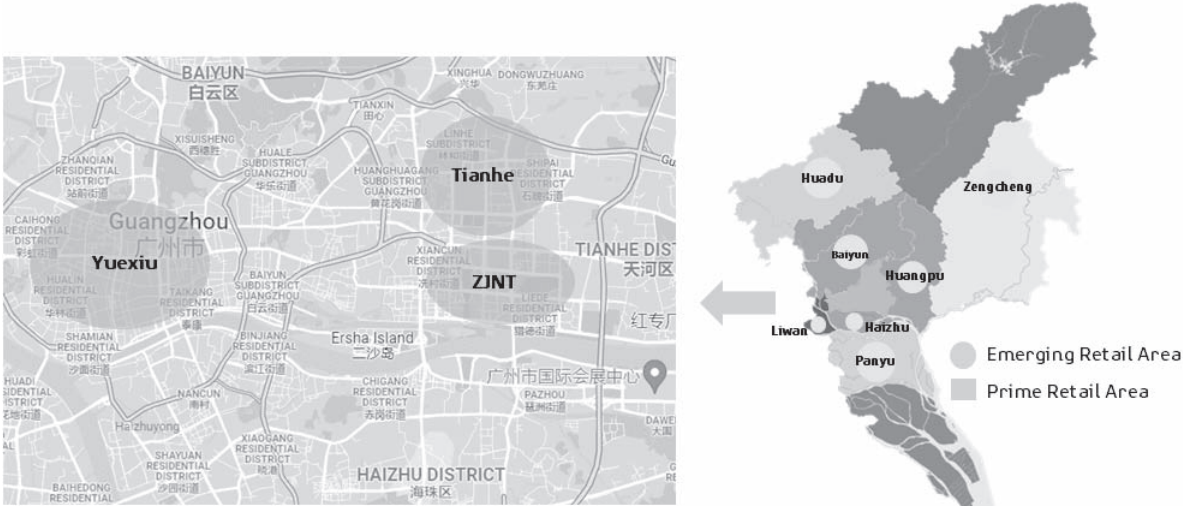
As an emerging submarket, Pazhou has relatively low rents. As with no new supply entering the market in Q2 2021, the vacancy rate decreased a little to 7.0% and the rent kept around RMB146.5 per sq.m. per month. Due to the new supply in ZJNT, its vacancy rate increased to 6.7% but still was the submarket with the lowest vacancy rate in Guangzhou. The rent of ZJNT remained stable at approximately RMB182.0 per sq.m. per month.

Looking forward, between 2021 and 2025, Guangzhou Grade A office market is expected to witness more than 3 million sq m future supply, about 1.8 million sq m of which might be available to circulate in the leasing market. Among all the submarkets, Pazhou Submarket would contribute approximately 61% of city's total future supply. Meanwhile, the overall leasing demand of Guangzhou Grade A office market shall also remain active in the near future. As Guangzhou government has been promoting the development of Guangzhou toward digital industrialization, it is expected that the enterprises in digital industries shall experience strong growing momentum over the next few years. With the firm demand, it is expected that the rental level of Guangzhou Grade A office market shall increase steadily.

Guangzhou Retail Property Market

Guangzhou retail market has evolved from large department stores to multi-purpose, modern service shopping centres today, forming three prime retail catchments: Tianhe, ZJNT, and Yuexiu. Benefiting from the sophisticated commercial environment and established infrastructure, Tianhe owns the highest rental price in the city. The tenants in the area are some of the most sought-after in the world, which include but not limited to high-end fashion and accessories, luxury jewellery, premier restaurants, niche and boutique stores, as well as some other fashionable F&B chains. ZJNT has the top-notch business atmosphere and serves mainly the retail customer base of mid to high end white-collar work force within the catchment. Yuexiu retail catchment has been a traditional point of interest with central location and convenient accessibility. However, due to the aged facilities and dated management styles, Yuexiu retail operators are facing the difficulties to attract and retain leading tenants. Apart from the three prime retail catchments, the development of emerging retail areas starts to speed up. Currently, there are seven emerging retail areas: Haizhu, Li'wan, Baiyun, Panyu, Huangpu, Zengcheng, and Huadu.

Map of Guangzhou Major Retail Submarkets



Source: Colliers

By end August 2021, the total prime retail stock in Guangzhou topped 6.8 million sq.m., including 579,000 sq.m. new supply of 6 projects entering the market, most in the emerging areas. Tianhe and Yuexiu remain to be the two biggest markets. Tianhe particularly, is the only submarket with more than one million retail space. Emerging areas are experiencing rapid development, the market share of which accounted for approximately 60% of total retail stock.

Retail New Supply in Guangzhou, 2021

Project	Area	GFA (sq.m.)	Opening Date
Huatong Square (華通廣場)	Baiyun	60,000	Aug 2021
Tongbanhui Commercial Square (童伴薈商業廣場)	Zengcheng	60,000	July 2021
M.LIVE Phase II (美林M.LIVE天地(二期))	Tianhe	120,000	July 2021
Huadu Yale City (花都雅樂城)	Huadu	69,000	May 2021
AEON Mall (廣州新塘永旺夢樂城)	Zengcheng	230,000	May 2021
Jadingmao Square (拉丁茂廣場)	Huadu	40,000	May 2021

Source: Colliers

In Q2 2021, the leasing market remained active from April to May. In the following June, due to the small-scale outbreak of the local epidemic, the leasing market was slightly affected, and property investigation, brand engagement and other activities were delayed. From the overall perspective, most of retailers have confidence in the long-term business environment and market development prospects, meanwhile continue to look for suitable opportunities to set up new stores. The main transactions in this quarter include that ACQUA PARMA opened a new store in Tianhuan square, Shallow Pot (淺鍋) also opened its first store in Guangzhou in the same shopping centre, and Tie For Her opened a new store in Wanlinghui (萬菱匯). As of the end of Q2 2021, the average vacancy rate of the Guangzhou retail property market increased 0.3 percentage points QOQ to 13.0%, whereas the city's average ground floor rent was recorded at RMB694.8 per sq.m. per month.

Looking ahead, it is expected that a total of 7 new shopping malls with aggregate GFA of 525,000 sq.m. will be scheduled for completion in the rest of 2021. Considering the surge of new supply and the vicinity of the pipeline projects, competition among these new shopping centres might further intensify, driving the vacancy rate to increase and the rental level to drop in the short term. The retail ambience in the emerging area such as Panyu, Huangpu and Zengcheng is expected to improve with the openings of new shopping centres and the development of transport infrastructure. Retail sector wise, the domestic brands in the FMCG and mass fashion industry shall continuously experience strong growth. Home and lifestyle, F&B, and luxury sectors shall also see strong growth momentum. The outlook for retail market in Guangzhou should remain positive in mid to long-term.

LIMITING CONDITIONS

Neither the whole or any part of this valuation report nor any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this valuation report is for the use only of the party to whom it is addressed for the stated purpose and shall be relied upon by each of the Trustee, the Manager and the Unitholders of the Yuexiu REIT, and no responsibility is accepted to any third party for the whole or any part of its content.

REMARKS

We hereby confirmed that:

- We have no present or prospective interest in Yuexiu REIT Property and are not related corporation of nor have relationship with the Manager, the Trustee or any other party or parties which Yuexiu REIT is contracting with;
- We are authorised to practice as valuer and have the necessary expertise and experience in valuing similar types of property;
- Our opinions have been given on fair and unbiased basis; and
- We are acting as an independent valuer as defined in “RICS Global Valuation Standards 2020”, the “HKIS Valuation Standards 2020” published by the RICS and the HKIS, which incorporates with the IVSC.

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation summary report are attached hereto.

Yours faithfully,
For and on behalf of

Colliers International (Hong Kong) Limited

Zhirong He (Flora He)

Registered Valuer (RICS)

FRICS MCOMFIN

Executive Director, Valuation and

Advisory Services, China

Dorothy Chow

Registered Valuer (RICS)

BSc MRICS MHKIS

RPS (GP) MCIREA

Executive Director, Valuation &

Advisory Services, Asia

Note: Ms. Zhirong He is a Registered Valuer with over 18 years' experience in valuation of property in PRC. Ms. Dorothy Chow is a professional surveyor who has over 24 years' experience in valuation of property in Hong Kong and PRC.

VALUATION SUMMARY

THE PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT 31 AUGUST 2021												
Yuexiu Financial Tower, No.28 Zhu Jiang East Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	<p>The Property, known as Yuexiu Financial Tower, was completed in August 2015 and it comprises a mixed-use development with a 68-storey above ground and a 4-storey basement erected on a site with a site area of 9,831.00 square metres (sq.m.).</p> <p>The Property consists of retail, office and 827 underground car spaces with a total gross floor area (GFA) of 210,282.94 sq.m. with details as below:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Use</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td style="text-align: right;">3,818.19</td> </tr> <tr> <td>Office</td> <td style="text-align: right;">166,378.62</td> </tr> <tr> <td>Carpark</td> <td style="text-align: right;">10,289.05</td> </tr> <tr> <td>Others*</td> <td style="text-align: right;"><u>29,797.08</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">210,282.94</td> </tr> </tbody> </table> <p><i>* Others refer to the public common area and facility room etc. of the Property which has no real estate ownership certificates.</i></p> <p>Pursuant to the real estate ownership certificates provided, the land-use rights of the Property have been granted for office and carpark uses for a term of 50 years from 16 April 2007; for retail use for a term of 40 years from 16 April 2007.</p>	Use	Gross Floor Area (sq.m.)	Retail	3,818.19	Office	166,378.62	Carpark	10,289.05	Others*	<u>29,797.08</u>	Total	210,282.94	<p>As at the Valuation Date, retail and office portions of the Property having occupancy rates of 100% and 94.54% respectively, were let to various tenants at an aggregate monthly rent of approximately RMB30,254,000 (exclusive of outgoings or disbursements from the rent, being value-added tax, management fees and utility charges) with the latest expiry date of 30 November 2028. Whilst the carpark spaces were currently under normal operation by property management company.</p>	<p>RMB8,030,000,000</p> <p>(RENMINBI EIGHT BILLION AND THIRTY MILLION)</p>
Use	Gross Floor Area (sq.m.)														
Retail	3,818.19														
Office	166,378.62														
Carpark	10,289.05														
Others*	<u>29,797.08</u>														
Total	210,282.94														

Notes:

- i) Pursuant to Yue (2017) Guangzhou Shi Bu Dong Chan Quan Di 00051478 Hao and eight hundred and eighty eight copies of real estate ownership certificate, the ownership of the Property is vested in 廣州佳耀置業有限公司 (Guangzhou Jiayao Property Development Co., Ltd.), 廣州譽耀置業有限公司 (Guangzhou Yuyao Property Development Co., Ltd.), 廣州景耀置業有限公司 (Guangzhou Jingyao Property Development Co., Ltd.), and 廣州晉耀置業有限公司 (Guangzhou Jinyao Property Development Co., Ltd.)(together as “Yuexiu Financial Tower Project Companies”) with details as below:

Owner	Gross Floor Area (sq.m.)			Net Lettable Area (sq.m.)		
	Retail	Office	Carpark	Retail	Office	Carpark
廣州佳耀置業有限公司	3,818.19	40,002.01	2,850.98	2,859.51	29,855.08	2,850.98
廣州譽耀置業有限公司	—	38,197.68	2,835.48	—	27,918.98	2,835.48
廣州景耀置業有限公司	—	43,840.57	2,934.87	—	30,865.24	2,934.87
廣州晉耀置業有限公司	—	44,338.36	1,667.72	—	30,959.37	1,667.72
Total	3,818.19	166,378.62	10,289.05	2,859.51	119,598.67	10,289.05

- ii) The non-conforming uses of certain premises are located in the underground premises of the Property shall be used as carparks and in times of war as civil defence shelter, the Citizens Passage was designated by the Guangzhou government as being set aside for the purpose of facilitating foot traffic in ZJNT and certain premises of the Property shall serve as common areas and municipal public services facilities. We have taken into account the non-conforming uses of certain premises described in Section 3.6.1 in the Circular by disregarding the rental income generated by the relevant premises pursuant to the valuation standards.
- iii) The Project Companies have not obtained the real estate ownership certificate in respect of the Citizens Passage. We have taken this into account by disregarding the rental income generated by the Citizens Passage pursuant to the valuation standards.
- iv) The PRC Legal Adviser has provided certain advice in its legal opinion and/or the circular, including but not limit to the following:
- Guangzhou City Construction & Development Company Limited (GCCDL) is the developer of the Property and allocated the Property interest to its four wholly owned subsidiaries subsequently. GCCDL’s ownership and rights to the Property will not be diminished by the allocation of interests. GCCDL is the ultimate owner of the Property;
 - The ownership of the Property is vested in Yuexiu Financial Tower Project Companies. To be specific, Level 1 to Level 20 and 235 carpark units in B3 are vested in 廣州佳耀置業有限公司; Level 21 to Level 35 (L33 and L34 are escape floor) and 236 carpark units in B2 are vested in 廣州譽耀置業有限公司; Level 37 to Level 50 and 241 carpark units in B4 are vested in 廣州景耀置業有限公司; Level 53 to Level 68 and 115 carpark units in B1 are vested in 廣州晉耀置業有限公司;
 - The non-conforming uses of certain premises may subject the Property to certain legal consequences and enforcement actions including fines, rectification orders, repossession, and confiscation of income generated from the Non-conforming Uses by the relevant PRC land authorities in accordance with the relevant laws and regulations of the PRC;
 - The PRC Legal Advisors also advised that the Non-conforming Uses will not, in and of themselves, prevent the Property from being leased, bought, sold or being accepted by banks as security for mortgages; and the risk of any of the enforcement actions (mentioned in c) being imposed in respect of the Non-conforming Uses is practically non-existent.

- e) Yuexiu Financial Tower Project Companies have legally obtained the state-owned land use rights and are the sole users of the land use rights in respect of the Property. The Project Companies are the sole owners of the building ownership rights underlying the Property and that such rights are free from encumbrances, save for the existing mortgages on all the aboveground units and part of the carpark spaces of the Property which will be discharged prior to Acquisition Completion;
- f) Yuexiu Financial Tower Project Companies legally own, occupy, transfer and lease out the Property in accordance with the relevant PRC laws free from encumbrances, subject to the conditions of the relevant pre-sale permits and existing leases and consent of mortgagees (if any), and applicable local laws and regulations. Based on the above advice of the PRC Legal Advisors, the Manager is of the view that the Yuexiu REIT will have good, marketable, legal and beneficial title to the Property through the Target Group upon Acquisition Completion.
- v) Based on the aforesaid legal opinion prepared by the PRC Legal Advisor, the Manager is of the view that the Yuexiu REIT will have good, marketable, legal and beneficial title to the Property through the Target Group upon Acquisition Completion.
- vi) Upon Acquisition Completion, Yuexiu REIT will (through the Target Group) hold 100% of the Property.
- vii) As Advised by the Manager, Yuexiu Financial Tower Project Companies shall enter into a new carpark master lease agreement upon Acquisition Completion, pursuant to which the carpark spaces as a whole will be master leased to the Carpark Master Lessee for the period commencing from Acquisition Completion Date to 31 December 2024 for RMB14,180,000 per annum.
- viii) As Advised by the Manager, the Target Company entered into a naming rights agreement on 24 October 2021, for the period between Acquisition Completion Date and 31 December 2023 for a total cash consideration of RMB60,000,000. We have not taken into account the income generated by naming rights pursuant to the valuation standards.
- ix) As confirmed by Yuexiu Financial Tower Project Companies, there is no breach of environmental regulation(s); and there is no pending litigation(s), breach of law or little defect(s) which may affect the value(s) of the Property; and there is no plan for construction, renovation, improvement, or development of the Property after Acquisition, and there is no plan to sell, dispose of or change the use of the Property after Acquisition.
- x) Rentable area breakdown and annual rental income exclusive of value-added tax property management fee as well as other income as at the Valuation Date of the Property are tabulated as follows:

Use	Annual Rental Income ¹				
	Rentable Area (sq m)	Contracted Rentable Area (sq m)	Vacant Rentable Area (sq m)	Contracted Rental Income for the year commencing on 1 September 2021 ² (approx.)	Annualized Rental Income ³ (approx.)
Retail	3,818.19	3,818.19	—	RMB9,103,000	RMB10,231,000
Office	166,378.62	157,293.16	9,085.46	RMB298,224,000	RMB352,815,000
Total	<u>170,196.81</u>	<u>161,111.35</u>	<u>9,085.46</u>	<u>RMB307,327,000</u>	<u>RMB363,046,000</u>

*Notes:

1. a) Part of the office portion was in rent free period as at the Valuation Date, translated into a total annualized rental income of approximately RMB14,772,000; b) Carpark Master Lease Agreement with an annual income of RMB14,180,000 (see Note vii above); and 3) Naming Rights Agreement for the period between Acquisition Completion Date and 31 December 2023 of RMB60,000,000 (see Note viii above) were not considered herein;

2. Contracted Rental Income for the year commencing on 1 September 2021 is the rental income based on existing lease for the period from 1 September 2021 to 31 August 2022 by disregarding the potential rental income from lease renewals and new lease(s);
3. Annualised Rental Income is the annualized rental income of August 2021.
- xi) Based on the tenancy information provided by Yuexiu Financial Tower Project Companies, our analysis of the tenancy duration profile for the retail portion of the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Rentable Area
0	1	3.0%
1	2	26.7%
2	3	0.0%
3	4	8.6%
4	5	18.1%
5	6	43.6%
6	7	0.0%
7	8	0.0%
8	9	0.0%
9	10 or more	0.0%
Total		100.0%

- xii) Based on the tenancy information provided by the Manager, our analysis of the tenancy profile for the retail portion of the Property is set out below:

Year of Expiry	Proportion by Rentable Area
In 2021	3.8%
In 2022	1.3%
In 2023	68.2%
In 2024	8.6%
In 2025 and afterward	18.1%
Total	100.0%

- xiii) Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the office portion of the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Rentable Area
0	1	7.1%
1	2	4.3%
2	3	37.2%
3	4	3.0%
4	5	29.3%
5	6	10.6%
6	7	0.8%
7	8	1.8%
8	9	0.0%
9	10 or more	5.9%
Total		100.0%

- xiv) Based on the tenancy information provided by the Manager, our analysis of the tenancy profile for the office portion of the Property is set out below:

Year of Expiry	Proportion by Rentable Area
In 2021	17.8%
In 2022	10.9%
In 2023	24.6%
In 2024	14.5%
In 2025 and afterward	32.2%
Total	100.0%

- xv) Save as disclosed, we understand that the Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value(s) of the Property.
- xvi) As advised of Yuexiu Financial Tower Project Companies, the Property management income of the Property covers all relevant property management expenses; and the monthly property management fee is payable by tenants.

xvii) In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Retail	Income Capitalisation Method	Term Yield	3.85% per annum
		Reversion Yield	4.35% per annum
Office	Income Capitalisation Method	Term Yield	3.60% per annum
		Reversion Yield	4.10% per annum
Carpark	Income Capitalisation Method	Term Yield	3.85% per annum
		Reversion Yield	4.35% per annum

xviii) Breakdown market values of the Property as at the Valuation Date are listed as follows:

Portion	Income Capitalisation Method	Market Value	Interest Attributable to Yuexiu REIT after Acquisition
Retail	RMB184,000,000	RMB184,000,000	100%
Office	RMB7,575,000,000	RMB7,575,000,000	100%
Carpark	RMB271,000,000	RMB271,000,000	100%
Total	RMB8,030,000,000	RMB8,030,000,000	100%

xix) The estimated net yield of the Property is 4.5% per annum which is derived from the estimated rental received in August 2021 excluding the value-added tax divided by the market value as at the Valuation Date.

xx) Regarding the potential tax liabilities which may arise if the Property were to be sold, the following information is included for the purpose of compliance with Rule 11.3 of The Code on Takeovers and Mergers: We understand from the Manager Yuexiu REIT Asset Management Limited that the Property would be held by the REIT with no intention for disposal. Hence the likelihood of any potential tax liability being crystallized from a disposal of the Property is remote. The Manager further advises that, if the Property were to be sold at an amount equivalent to the valuation, through property transfer or company transfer offshore, the potential tax liabilities which may arise are approximate 39.5% and 0.3% respectively on the sold value. The Manager's Tax Advisers, PricewaterhouseCoopers Limited also agrees with the above tax statements.

xxi) In assessing the market value of the Property, we have cross-checked by sales prices of similar properties in the vicinity. Comparables that had been selected include ranges from RMB45,000 to RMB61,500 psm on aboveground GFA. In the course of our valuation, we have considered the relevant adjustment factors such as the location, size, accessibility, environment, building facilities, age/maintenance, etc. to determine the unit price of the Property. The adopted unit price of the Property as at the Valuation Date was approximately RMB48,000 psm on aboveground GFA from Market Approach. The unit price on aboveground GFA from Market Approach is higher than the unit price on aboveground GFA from Income Approach by 1.7%.

APPENDIX 1 — CAVEATS AND ASSUMPTIONS

1. DEFINITIONS

In these Caveats and Assumptions the following words or phrases shall have the meaning or meanings set out below:

‘Confidential Information’ means information that:

- (a) Is by its nature confidential.
- (b) Is designated by Us as confidential.
- (c) You know or ought to know is confidential.
- (d) Includes, without limitation: information comprised in or relating to any of Our intellectual property in the Services or any reports or certificates provided as part of the Services.
- (e) You or Your affiliates provide to Us for the purposes of the Services.

‘Currency Date’ means, in relation to any valuation report, the date as at which our professional opinion is stated to be current.

‘Fee’ means the amount agreed to be paid for the Services as set out in the Quotation.

‘Parties’ means You or Us as the context dictates.

‘Quotation’ means the written quote provided by Us in relation to the Services.

‘Services’ means the valuation services provided pursuant to these terms and conditions and the Quotation, and includes any documents, reports or certificates provided by Us in connection with the Services.

‘The Property’ means the assets which are subject of our appointment as your advisor. This may include land, buildings, plant & equipment and other assets as described in the appointment agreement.

‘We’, ‘Us’, ‘Our’, ‘Colliers’ means Colliers International.

‘You’, ‘Your’, ‘Client’ means the person, company, firm or other legal entity by or on whose behalf instructions are given, and any person, company, firm or legal entity who actually gave the instructions to us even though such instructions were given as agent for another.

‘Professional Property Practice Standards’ refers to RICS Valuation - Professional Standards, or appropriate standards.

2. PERFORMANCE OF SERVICES

2.1 We have provided the Services in accordance with:

- (a) The terms and conditions contained herein; or
- (b) As specifically instructed by You for the purpose of the Services; and
- (c) Within the current provisions set by the prevailing Professional Property Practice Standards.

3. CONDITION OF THE PROPERTY

- 3.1 No allowance has been made in our report for any charges, mortgages or amounts owing on any of the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. We have assumed that the Property is free from and clear of any and all charges, liens and encumbrances of an onerous nature likely to affect value, whether existing or otherwise, unless otherwise stated. We assume no responsibility for matters legal in nature nor do we render any opinion as to the title which is assumed to be good and marketable. We are not aware of any easements or rights of way affecting the property and our valuation assumes that none exists.
- 3.2 We have assumed that the Property has been constructed, occupied and used in full compliance with, and without contravention of, all ordinances, except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, and authorisations have been obtained, except only where otherwise stated.
- 3.3 We have assumed that any development sites are in a condition suitable for development; this has not been checked by us.
- 3.4 We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.
- 3.5 We have assumed that there is no timber infestation, asbestos or any other defect (unless advised otherwise) and that the property is compliant with all relevant environmental laws. It is Your responsibility to provide reports to Us that are relevant to these issues.
- 3.6 An internal inspection has been made, unless otherwise stated, no detailed on-site measurements have been taken.

- 3.7 While due care is exercised in the course of our inspection to note any serious defects, no structural survey of the Property will or has been undertaken, and We will not (and are not qualified to) carry out a structural, geotechnical or environmental survey. We will not inspect those parts of the property that are unexposed or inaccessible.
- 3.8 None of the services have been tested by Us and we are unable therefore to report on their present condition, but will presume them to be in good working order.
- 3.9 We recommend that You engage appropriately qualified persons to undertake investigations excluded from our Services.
- 3.10 No responsibility will be accepted either to You or to any third party for loss or damage that may result directly or indirectly from the condition of the property.

4. ENVIRONMENT AND PLANNING

- 4.1 We have obtained only verbal town planning information. It is your responsibility to check the accuracy of this information by obtaining a certificate under the appropriate legislation.
- 4.2 We do not hold ourselves to be experts in environmental contamination. Unless otherwise stated, our inspection of the site did not reveal any contamination or pollution affectation, and our valuation has been prepared on the assumption that that the land is not contaminated and has not been affected by pollutants of any kind. We would recommend that this matter be checked by a suitably qualified environmental consultant. Should subsequent investigation show the site is contaminated, our valuation may require revision.

5. BUILDING AREAS

- 5.1 Where a survey is provided to Us for consideration, We will assume that information contained in the survey is accurate and has been prepared in accordance with the prevailing Professional Property Practice Standards.
- 5.2 If you do not provide Us with a survey, We will estimate building areas based only upon available secondary information (including but not limited to building plans, deposited plans, and our own measurements). Such estimates do not provide the same degree of accuracy or certainty as would be provided by a survey prepared by an appropriately qualified professional in accordance with the prevailing Professional Property Practice Standards.
- 5.3 Where such a survey is subsequently produced which differs from the areas estimated then You will refer the valuation back to Us for comment or, where appropriate, amendment.

6. OTHER ASSUMPTIONS

- 6.1 Unless otherwise notified by You, We will assume:
- (a) There are no easements, mortgages, leases, encumbrances, covenants, caveats, rights of way or encroachments except those shown on the title.
 - (b) All licences and permits can be renewed and We have not made any enquiries in this regard.
- 6.2 Where third party expert or specialist information or reports are provided to Us or obtained by Us in connection with Services (including but not limited to surveys, quantity surveyors reports, environmental audits, structural / dilapidation reports), we will rely upon the apparent expertise of such experts / specialists. We will not verify the accuracy of this information or reports, and assume no responsibility for their accuracy.
- 6.3 Our services are provided on the basis that the Client has provided us, to the best of its knowledge, with a full and frank disclosure of all information and other facts which may affect the service, including all secrecy clauses and side agreements. We accept no responsibility or liability whatsoever for the valuation unless such a full disclosure has been made.
- 6.4 Any plans, sketches or maps included in this report are for identification purposes only and should not be treated as certified copies of areas or other particulars contained therein.
- 6.5 The study of possible alternative development options and the related economics are not within the scope of this report, unless otherwise stated.
- 6.6 Our opinion about the market value of the property is free from any influence and/ or point of views of any other parties.

7. ESTIMATED SELLING PRICE

- 7.1 Where you instruct Us to provide an estimated selling price, You agree that the Services:
- (a) Are limited to the provision of an opinion based on Our knowledge of the market and informal enquiries.
 - (b) We are not required to carry out a full inspection of the property; any inspection of comparable properties; a search of title(s) or other enquiries as to encumbrances, restrictions or impediments on title(s); or other investigations which would be required for a formal valuation.
 - (c) Provide an indicative figure only which is not suitable for use for any purpose other than as general information or guide as to sale expectations. It is not suitable to be relied upon for the purpose of entry into any transaction.

7.2 No responsibility will be accepted either to You or to any third party for loss or damage that may result from the issue of such an estimated selling price.

8. CURRENCY OF VALUATION

8.1 Due to possible changes in market forces and circumstances in relation to the property, the Services can only be regarded as relevant as at the Currency Date.

8.2 Where You rely upon Our valuation report after the Currency Date, You accept the risks associated with market movements between the Currency Date and the date of such reliance.

8.3 Without limiting the generality of 8.2, You should not rely upon Our valuation:

(a) After the expiry of 3 months from the Currency Date;

(b) Where circumstances have occurred during that period which may have a material effect on the value of the property or the assumptions or methodology used in the valuation report.

9. MARKET PROJECTIONS

9.1 Any market projections incorporated within our Services including, but not limited to, income, expenditure, associated growth rates, interest rates, incentives, yields and costs are projections only and may prove to be inaccurate. Accordingly, such market projections should be interpreted as an indicative assessment of potentialities only, as opposed to certainties.

9.2 Where Our Services include market projections, such projections require the dependence upon a host of variables that are highly sensitive to varying conditions. Accordingly, variation in any of these conditions may significantly affect these market projections.

9.3 Where market projections form part of Our Services, We draw your attention to the fact that there will be a number of variables within acceptable market parameters that could be pertinent to Our Services and the projections adopted are representative of only one of these acceptable parameters.

9.4 All statements of fact in the valuation report which are used as the basis of our analyses, opinions, and conclusions will be true and correct to the best of our knowledge and belief. We do not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the state of affairs of the Property furnished to us by you.

10. YOUR OBLIGATIONS

- 10.1 You warrant that the instructions and subsequent information supplied by You, to the best of your knowledge, contain a full and frank disclosure of all information that is relevant to Our provision of the Services.
- 10.2 You warrant that all third party expert or specialist reports provided to Us by You for the purpose of Us providing the Services are provided with the authority of the authors of those reports.
- 10.3 You authorise and license Us to incorporate Your intellectual property within Our report(s).
- 10.4 You will not release any part of Our valuation report or its substance to any third party without Our written consent. When we consent for You to release Our report or any part of Our report to any third party, we do so on the basis that these terms and conditions will apply to the new addressee(s) as if it / they had been a party to the original letter of instruction between us. Where we consent to such reliance, You agree to furnish the addressee with a copy of any reliance letter issued by Us and/or a copy of these terms and conditions.
- 10.5 We reserve the right to reconsider or amend the valuation advice, or the Fee set out in Our Quotation to You, if;
- (a) Certificates, surveys, leases, side agreements or related documentation that were not provided to Us prior to the provision of the Services are subsequently provided, and contain matters that may affect the value of the advice; or
 - (b) Where subsequent site inspections made in relation to any of the matters raised in Clause 3 materially affect or may alter the value of the property, the subject of the Services.
 - (c) The information provided to Us by You prior to the provision of services is in any way incomplete, misleading or wrong.
- 10.6 If You release any part of the valuation advice or its substance without written consent, You agree to defend and indemnify Us against claims by a third party who has reviewed the report if We have not, at or subsequent to the time of engagement, provided our specific written consent to such party reviewing and relying on the report. We have no responsibility to any other person even if that person suffers damage as a result of You providing this valuation without Our prior consent.
- 10.7 You agree that the only remedy for losses or damages relating to the breach of this Agreement shall be limited to three times Our contracted fee for the assignment and no claim shall be made for any consequential or punitive damages.
- 10.8 You agree not to bring any claim for any losses against any director, consultant or any employee of Ours. You hereby agree that Our director, consultant or any employee does not have a personal duty of care to You and any claim for losses must be brought against Colliers International.

10.9 Where any loss is suffered by You for which We and any other person are jointly and severally liable to You the loss recoverable by You from Us shall be limited so as to be in proportion to our relative contribution to the overall fault.

11. CONFIDENTIALITY

11.1 This report and each part of it is prepared and intended for the exclusive use of the Client for the sole purpose outlined in Our agreement for internal reference purposes, and/or the purposes as specified in the agreement, and in accepting this report, the Client expressly agrees not to use or rely upon this report or any part of it for any other purpose. No person other than the Client shall use or rely upon this report or any part of it for any purpose unless we have given Our express written consent. Similarly neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement nor published in any way without our written approval of the form and context in which it may appear.

11.2 If consent to disclose the Confidential Information is provided by Us, You agree to abide by any additional terms and conditions that We may apply to that disclosure.

11.3 You agree that You will indemnify, hold harmless and defend Us from and against any and all loss, liability, costs or expenses (including but not limited to professional or executive time) We may suffer or reasonably incur, directly or indirectly, as a result of a breach of this clause.

11.4 Unless otherwise directed in writing by Client, Colliers International retains the right to include references to the Services in its promotional material. Such references shall not contain confidential material.

12. PRIVACY

12.1 We may obtain personal information about You in the course of performing Our Services. We respect your privacy and advise You that we will only obtain information that is necessary to assist us in the course of performing Our Services. If it is necessary for Us to engage third parties, we will inform these parties that they are not to disclose any personal information about You to any person or organisation other than Us.

13. SUBCONTRACTING

13.1 We may sub-contract or otherwise arrange for another person to perform any part of the Services or to discharge any of Our obligations under any part of these terms and conditions, with Your consent.

14. LIMITATION OF COLLIERS LIABILITY

14.1 To the extent permissible under applicable laws, in no event shall Colliers International be liable to Client or anyone claiming by, through or under Client, including insurers, for any lost, delayed, or diminished profits, revenues, production, business, use or opportunities, or any incidental, special, indirect, or economic losses, wasted costs, diminution of value or consequential damages, of any kind or nature whatsoever, however caused.

- 14.2 We shall be released from Our obligations to the extent that performance thereof is delayed, hindered or prevented by any circumstances beyond Our reasonable control (examples being a strike, act of God or act of terrorism). All the costs and benefits forecasted will, ultimately, be determined by future market conditions. Forecasts of these elements are based on assumptions of certain variable factors, which, in turn, are extremely sensitive to changes in the market and economic contexts. For this reason, the figures mentioned in this report were not computed under any known or guaranteed conditions. Rather, these are forecasts drawn from reliable sources of data and information and made in the best judgment and professional integrity of Colliers International. Notwithstanding this, Colliers International reiterates that it will not accept any responsibilities in the face of damage claims that might result from any error, omission or recommendations, viewpoints, judgments and information provided in this report.
- 14.3 Neither Colliers nor any employee of Ours shall be required to give testimony or to appear in court or any other tribunal or at any government agency by reason of this valuation report or with reference to the property in question, except by court summons / judicial notification, and unless prior arrangements have been made and we are properly reimbursed for reasonable time and expenses incurred. The hourly billings pertain to court preparation, waiting and travel time, document review and preparation (excludes valuation report) and all meetings related to court testimony.
- 14.4 We are free from any possible legal and/ or non-legal issue which may attach to the Property's title documents.
- 14.5 All statements of fact in the valuation report which are used as the basis of our analyses, opinions, and conclusions will be true and correct to the best of our knowledge and belief. We do not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the state of affairs of the Property furnished to Us by You.
- 14.6 Our liability for loss and damage attributable to Our negligence, breach of contract, misrepresentation or otherwise (but not in respect of fraud, fraudulent misrepresentation, death or personal injury) shall be limited to a maximum of three times Our contracted fee for the assignment per property for any single case. A single case of damages is defined as the total sum of all damage claims of all persons entitled to claim, which arise from one and the same professional error / offence. In the case of damages suffered from several offences brought about by the same technical error within the scope of several coherent services of a similar nature, we are only to be held liable for an amount of three times Our contracted fee for the assignment per property.
- 14.7 Where the agreement is addressed to more than one Client, the above limit of liability applies to the aggregate of all claims by all such Clients and not separately to each Client.
- 14.8 No third party will be entitled to rely on any part of Our valuation report or its substance or advice except with our written consent. Should any third party rely on Our report without obtaining Our written consent, We are not bound by any liability which arises from the use of or reliance upon Our valuation report by such unauthorised party.

14.9 We will not be liable for any services outside the scope of the services agreed to be performed by Us, and in respect of any consequential losses or loss of profits.

14.10 Responsibility for Our valuation extends only to the party(ies) to whom it is addressed. However in the event of Us being asked by You to re-address Our report to another party or other parties or permit reliance upon it by another party or other parties, We will give consideration to doing so, to named parties, and We reserve the right to charge additional fee for doing so although We will agree such fee with You before commencing the work.

15. ENTIRE AGREEMENT

15.1 No further agreement, amendment or modification of these terms and conditions shall be valid or binding unless made in writing and executed on behalf of the Parties by their duly authorised officers.

15.2 If there is inconsistency between these terms and conditions and the Quotation, any letter of instruction from You, or other specific request or information shall prevail to the extent of the inconsistency.

15.3 Copyright in any reports, documents or other material provided to You by Us shall remain Our property at all times unless otherwise stated.

16. ANTI BRIBERY AND CORRUPTION MEASURES

16.1 We represent, in connection with any services to be provided to You, that neither We nor Our contractors, employees or agents (collectively, “Consultant”) has made or will make, either directly or indirectly, any payments (i) to or for the use or benefit of any Government Official (ii) to any other person either for an advance or reimbursement, if Consultant knows or has reason to know that any part of such payment has been or will be given to any Government official or (iii) to any person or entity, the payment of which would violate laws and regulations in Australia, the United States, the United Kingdom or any other government entity having jurisdiction over the activities carried out by Consultant. The term “Government Official” in this paragraph means any officer or employee of a government or any governmental department or agency, or any person acting in an official capacity for or on behalf of any such government or governmental department or agency, including employees of state-owned or controlled entities and candidates for political office.

16.2 We represent that, in connection with any services to be provided to You, We will conduct operations at all times in compliance with applicable financial recordkeeping and reporting requirements, including all applicable money laundering-related laws of any jurisdictions where We conduct business or own assets.

APPENDIX 2 — PHOTOS OF THE PROPERTY



Main Appearance of the Property



South Entrance of the Property



North Entrance of the Property



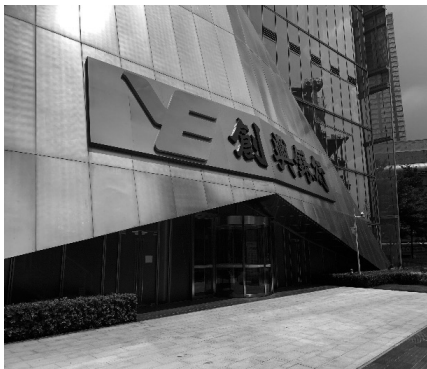
Office Lobby



Interior-Office



Retail



Retail



Retail

The following is the text of a letter and valuation report received from Colliers International (Hong Kong) Limited, the Independent Property Valuer, in connection with the valuation of the Existing Properties, in each case as at 31 August 2021 and for the purpose of inclusion in this Circular.



Yuexiu REIT Asset Management Limited
as the “Manager” of “Yuexiu Real Estate Investment Trust”

17B, Yue Xiu Building,
No. 160 Lockhart Road,
Wanchai, Hong Kong

HSBC Institutional Trust Services (Asia) Limited
as the “Trustee” of “Yuexiu Real Estate Investment Trust”

17th Floor, Towers 2& 3, HSBC Centre,
No. 1 Sham Mong Road,
Kowloon, Hong Kong

Our Ref: CIP000181(20-833_GH)_2

13 November 2021

Dear Sir or Madam,

Valuation of:

- (1) **Guangzhou International Finance Centre, No. 5 Zhu Jiang West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC**
- (2) **Various Units in White Horse Building, Nos. 14, 16 & 18 Zhan Nan Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC**
- (3) **Various Units and 110 Car Spaces at Basement Levels 1 & 2 in Fortune Plaza, Nos. 114, 116 & 118 Ti Yu East Road, Tianhe District, Guangzhou, Guangdong Province, the PRC**
- (4) **Various Units and 179 Car Spaces at Basement Levels 1 & 2 in City Development Plaza, Nos. 185, 187 & 189 Ti Yu West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC**
- (5) **Various Units in Victory Plaza, No. 101 Ti Yu West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC**
- (6) **Tower 2 & 315 Car Spaces at Basement Levels 1 & 2, Hangzhou Victory Business Center, No. 9 Jiangxiu Street, Qianjiang New Town, Shangcheng District, Hangzhou, Zhejiang Province, the PRC**

Colliers International (Hong Kong) Limited
Valuation & Advisory Services
Company Licence No.: C-006052

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- (7) **Yuexiu Tower, No. 388 Fushan Road, Lot No. Qiu 2/9 Jiefang 302, Weifang Xincun Sub-district, Pudong New Area, Shanghai, the PRC**
- (8) **Wuhan Yuexiu Fortune Centre, Starry Victoria Shopping Centre and Various Car Spaces, No. 1 Zhongshan Avenue, Qiaokou District, Wuhan, Hubei Province, the PRC**

(Together known as the “Properties” and Individually the “Property”)

INSTRUCTIONS

We refer to the instructions received from the Manager and the Trustee of “Yuexiu Real Estate Investment Trust” (“Yuexiu REIT”) (the “Client”) for us to assess the market value of the captured properties interest located in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquires and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the Properties as at 31 August 2021 (the “Valuation Date”), for the purposes of incorporation in a circular.

BASIS OF VALUATIONS

Our valuations are provided on the basis of Market Value, which we would define as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION STANDARDS

These valuations have been carried out in accordance with the latest edition of Royal Institution of Chartered Surveyors (the “RICS”) Valuation - Global Standards, the HKIS Valuation Standards 2020 of The Hong Kong Institute of Surveyors (“HKIS”), incorporating the International Valuation Standards of the International Valuation Standards Council (“IVSC”). We have also complied with the requirements met out in Chapter 6.8 of the Code on Real Estate Investment Trusts (the “REIT Code”), Chapter 5, Practice Note 12 of the Listing Rules and Rule 11 of the Code on Takeovers and Mergers.

QUALIFICATIONS OF THE VALUER

These valuations have been prepared by Ms. Zhirong He (Flora He) (RICS Registration No.:1259301) and Ms. Dorothy Chow (RICS Registration No.:852464).

Ms. Flora He a Fellow of the Royal Institution of Chartered Surveyors. Flora is the Executive Director and Head of China Valuation and Advisory services team at Colliers International. She is suitably qualified to carry out the valuation and has over 18 years’ experience in the valuation of properties of this magnitude and nature in China.

Ms. Dorothy Chow, Executive Director of the Valuation and Advisory Services, Asia at Colliers International is an experienced competent valuer and has over 24 years' experience in undertaking valuation of this type in Hong Kong and China. She is a Member of the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors and a Registered Professional Surveyor under the Surveyors Registration Ordinance (Cap.417) in the Hong Kong Special Administrative Region.

We confirm that neither the valuers nor Colliers International are aware of any pecuniary interest or conflict that could reasonably be regarded as being capable of affecting the ability to give an unbiased and objective, opinion of the value of the Properties interest.

VALUATION APPROACHES

In arriving at our opinion of values, we have considered relevant general and economic factors and in particular have investigated recent sales and leasing transactions and / or offerings of comparable properties. In the course of our valuations, we have principally adopted the Income Capitalisation Method or Discounted Cash Flow Method ("DCF" Method) and cross-checked by the Market Approach.

Income Capitalisation Method estimates the value of properties or assets on a market basis by capitalising net rental income on a fully leased basis. This method is used when a property or asset is leased out for a specific term(s). This technique considers both the current passing rental income from existing tenancies and the potential future reversionary income at market level, by capitalising both at appropriate rates. In calculating the net rental income for this purpose, deduction is made for outgoings such as property management fees, capital expenditure, vacancy loss, and other necessary expenses.

DCF Method is the process of valuing an investment property or asset by undertaking an estimation of future cash flows and taking into account the time value of money. During the DCF technique, the income is projected over the investment cycle and the net income is calculated after the deduction of capital, operating, and other necessary expenses

Market Approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. By analysing such sales, which qualify as 'arms-length' transactions, between willing buyers and sellers, adjustments are made for size, location, time, amenities and other relevant factors when comparing such sales prices to assess the value of the subject asset. This approach is commonly used to value assets where reliable sales evidence of assets of a similar nature is available.

SOURCES OF INFORMATION

Although we have made independent enquires as much as possible, we have relied to a very considerable extent on the information provided by the Client and its legal advisor in respect of the titles of the Properties interest in the PRC. We also have accepted such information given to us as being true and correct for valuation purposes. This has included such matters as ownership title, site and floor areas, statutory notices, easements, tenure, joint venture agreements, the identification of the property interests and all other relevant matters.

We have also been advised by the Client that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Client which is material to the valuation.

TITLE DOCUMENTS

We have been provided with copies or extracts of all title documents relating to the property interests and have made relevant enquires where possible. Due to the nature of the land registration system in the PRC, however, we have not examined the original documents to verify the existing titles to the property interests in the PRC or any material encumbrances that might be attached to the property interests or any lease amendments. We have relied on the advice given by the Manager and its legal adviser on the laws of the PRC, “King & Wood Mallesons Law Firm” (hereinafter referred to as the “PRC Legal Adviser”) regarding title to and ownership of the Properties. For the purpose of our valuations, we have taken the legal opinion prepared by the PRC Legal Adviser into account, in particular title, ownership, encumbrances and so on of the Properties.

All title documents disclosed in this letter, the summary of values and the summary reports are for reference only. No responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this letter, the summary of values and the valuation summary reports.

ASSUMPTIONS AND CAVEATS

Our valuations have been made on the assumption that the owners can sell the Properties on the open market without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of the Properties.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Properties valued nor for any expenses or taxation which may be incurred in effecting a sale. It is advised by the PRC Legal Adviser that the full and proper ownership title of the Properties has been obtained and all payable land premium or land-use rights fees have been fully settled.

We have conducted the valuations assuming:

- the information about the Properties provided are true and correct;
- the Properties are free from contamination and the ground conditions are satisfactory;
- The tenanted properties will continue to be occupied and maintained in good order.
- Where applicable no structural survey or testing of the services within or connected to the Properties has been carried out. As appropriate we have assumed the Properties are structurally sound, maintained in a condition fit for purpose, with all provided services in working order.
- We have valued the portfolio assuming no reduction in value to reflect any possible diminution in value resulting from a placing of the portfolio on the market together as one at the same time for sale.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value.

Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Valuation — Global Standards. Consequently, less certainty — and a higher degree of caution — should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the Property under frequent review.

This valuation report is also subject to our standard Caveats and Assumptions attached at the appendix.

SITE MEASUREMENT

We have not carried out on-site measurements to verify the correctness of the site areas in respect of the Properties but have assumed that the areas shown on the documents and plans provided to us are true and correct in all respects. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

SITE INSPECTION

We have inspected the exterior and, where possible, the interior of the Properties upon the instruction received. No structural surveys or environmental assessments have been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the Properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services. We have assumed such are in good order for the purpose of valuation.

Please be advised we have not carried out investigations to determine the suitability of the ground conditions and the services etc. for any future development. Our valuations have been prepared on the assumption that these aspects are satisfactory.

Site inspections of the Properties were carried out by Ms. Zhirong He (Flora He) (RICS Registration No.:1259301), Mr. Jubiao Zhou (Bill Zhou) (RICS Registration No.: 6946373, CIREA Registration No.: 4420080118), Mr. Qiushi Lin (Will Lin) (CIREA Registration No.: 1120190038) and Ms. Zijuan Xu (Cheryl Xu) (CIREA Registration No.:4420150019) from 13 July 2021 to 15 July 2021.

LIMITING CONDITIONS

Neither the whole or any part of this valuation report nor any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this valuation report is for the use only of the party to whom it is addressed for the stated purpose and shall be relied upon by each of the Trustee, the Manager and the Unitholders of the Yuexiu REIT, and no responsibility is accepted to any third party for the whole or any part of its content.

REMARKS

We hereby confirmed that:

- We have no present or prospective interest in Yuexiu REIT Properties and are not related corporation of nor have relationship with the Manager, the Trustee or any other party or parties which Yuexiu REIT is contracting with;
- We are authorised to practice as valuer and have the necessary expertise and experience in valuing similar types of properties;
- Our opinions have been given on fair and unbiased basis; and
- We are acting as an independent valuer as defined in “RICS Global Valuation Standards 2020”, the “HKIS Valuation Standards 2017” published by the RICS and the HKIS, which incorporates with the IVSC.

POTENTIAL TAX LIABILITIES

Regarding the potential tax liabilities which may arise if the Properties were to be sold, the following information is included for the purpose of compliance with Rule 11.3 of The Code on Takeovers and Mergers: We understand from the Manager that the Properties would be held by the REIT with no intention for disposal. Hence the likelihood of any potential tax liability being crystallized from a disposal of the Properties is remote.

The Manager further advises that, the potential tax liabilities which would arise from the sale of the properties in the PRC comprise value-added tax at 5% or 9%; stamp duty at 0.05%; land appreciation tax at progressive rates from 30% to 60%; and corporate income tax at 25% or withholding tax at 10%. The Manager's Tax Advisers, PricewaterhouseCoopers Limited also agrees with the above tax statements.

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation summary report are attached hereto.

Yours faithfully,
For and on behalf of

Colliers International (Hong Kong) Limited

Zhirong He (Flora He)

Registered Valuer (RICS)

FRICS MCOMFIN

*Executive Director, Valuation and Advisory
Services, China*

Dorothy Chow

Registered Valuer (RICS)

BSc MRICS MHKIS RPS (GP) MCIREA

*Executive Director, Valuation & Advisory
Services, Asia*

Note: Ms. Zhirong He is a Registered Valuer with over 18 years' experience in valuation of property in PRC.

Ms. Dorothy Chow is a professional surveyor who has over 24 years' experience in valuation of property in Hong Kong and PRC.

SUMMARY OF VALUES CONTAINED IN VALUATION SUMMARIES

PROPERTY NO.	PROPERTY	MARKET VALUE IN EXISTING STATE AS AT 31 AUGUST 2021
1.	Guangzhou International Finance Centre No. 5 Zhu Jiang West Road, Tianhe District, Guangzhou, Guangdong Province, The PRC	RMB18,784,000,000
2.	Various Units in White Horse Building, Nos. 14, 16 & 18 Zhan Nan Road, Yuexiu District, Guangzhou, Guangdong Province, The PRC	RMB5,089,000,000
3.	Various Units and 110 Car Spaces at Basement Levels 1 & 2 in Fortune Plaza, Nos. 114, 116 & 118 Ti Yu East Road, Tianhe District, Guangzhou, Guangdong Province, The PRC	RMB1,256,000,000
4.	Various Units and 179 Car Spaces at Basement Levels 1 & 2 in City Development Plaza, Nos. 185, 187 & 189 Ti Yu West Road, Tianhe District, Guangzhou, Guangdong Province, The PRC	RMB1,058,000,000
5.	Various Units in Victory Plaza, No. 101 Ti Yu West Road, Tianhe District, Guangzhou, Guangdong Province, The PRC	RMB954,000,000
6.	Tower 2 & 315 Car Spaces at Basement Levels 1 & 2, Hangzhou Victory Business Center, No. 9 Jiangxiu Street, Qianjiang New Town, Shangcheng District, Hangzhou, Zhejiang Province, The PRC	RMB614,000,000

PROPERTY NO.	PROPERTY	MARKET VALUE IN EXISTING STATE AS AT 31 AUGUST 2021
7.	Yuexiu Tower, No. 388 Fushan Road, Lot No. Qiu 2/9 Jiefang 302, Weifang Xincun Sub-district, Pudong New Area, Shanghai, The PRC	RMB3,060,000,000
8.	Wuhan Yuexiu Fortune Centre, Starry Victoria Shopping Centre and Various Car Spaces, No. 1 Zhongshan Avenue, Qiaokou District, Wuhan, Hubei Province, The PRC	RMB3,673,000,000
<i>Grand Total:</i>		<i>RMB34,488,000,000</i>

VALUATION SUMMARY — PROPERTY 1

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT 31 AUGUST 2021
1	Guangzhou International Finance Centre, No.5 Zhu Jiang West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	<p>The Property, known as Guangzhou International Finance Centre (“GZ-IFC”), was completed in 2010 and 2011 in stages and it comprises a mixed-use development with a 103-storey above ground (“main building”), a 28-storey annex building and a 4-storey basement erected on a site with a site area of 27,508.06 square metres (sq.m.). The Property consists of retail, office, hotel, serviced apartment and 1,703 underground car spaces with a total gross floor area (GFA) of 457,356.68 sq.m..</p> <p><i>Retail Podium</i></p> <p>The retail podium is located in the annex building of the Property from Basement 1 to Level 5 with a total GFA of 46,989.16 sq.m., including a staff canteen with a GFA of 2,698.93 sq.m. on Level 4.</p> <p><i>Office</i></p> <p>The office portion is provided on Levels 4 to 65 in the main building and Levels 27 and 28 in the annex building of the Property having a total GFA of 183,539.65 sq.m..</p> <p><i>Hotel</i></p> <p>The hotel portion of the Property is currently operated as a luxury hotel under the tradename of “Four Seasons Hotel Guangzhou” providing 344 hotel guestrooms at Levels 68 to 100 of the main building of the Property with ancillary facilities such as food and beverage, conference rooms, fitness centre, SPA, swimming pool and so on having a total GFA of 89,198.83 sq.m..</p>	<p>At the Valuation Date, retail, office and carpark portions of the Property having occupancy rates of 96.5%, 93.9% and 100% were let to various tenants at an aggregate monthly rent of approximately RMB48,400,000 (exclusive of value-added tax, management fees and utility charges) with the latest expiry date of 31 July 2027; whilst the hotel and serviced apartment portion of the Property were operated by third parties under respective consultancy agreement(s) and management agreement(s).</p>	<p>RMB 18,784,000,000 (RENMINBI EIGHTEEN BILLION SEVEN HUNDRED AND EIGHTY FOUR MILLION) (98.99% of Interest is attributable to Yuexiu REIT.)</p>

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT 31 AUGUST 2021
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Serviced Apartment

The serviced apartment portion of the Property is currently operated as a serviced apartment under the tradename of “Ascott IFC Guangzhou” at Levels 6 to 28 of the annex building of the Property with 314 units having a total GFA of about 51,102.26 sq.m. including a clubhouse on Level 6 having a GFA of 2,866.96 sq.m..

Carpark & Ancillary Areas

The Property includes 1,703 underground car spaces as well as ancillary areas for refuge floor, machine and facilities’ room having a GFA of 71,082.79 sq.m. and 15,443.99 sq.m. respectively.

Pursuant to the real estate ownership certificates provided, the land-use rights of the Property have been granted for office use for a term of 50 years from 23 June 2008; for tourism and retail uses for a term of 40 years from 23 June 2008.

Notes:

- i) Pursuant to Yue (2017) Guangzhou Shi Bu Dong Chan Quan Di 00216281 Hao and three hundred and eighty copy of real estate ownership certificates, the ownership of the Property is vested in 廣州越秀城建國際金融中心有限公司 (Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd.), being a subsidiary company of Yuexiu REIT.
- ii) Pursuant to a set of copy of various real estate ownership certificates, Unit 620, Unit 720, Unit 730, Unit 820, Unit 830, Unit 920, Unit 930, Unit 1020, Unit 1030, Unit 1120, Unit 1130, Unit 1220, Unit 1230, Unit 1320, Unit 1330, Unit 1420, Unit 1430, Unit 1520, Unit 1530, Unit 1620, Unit 1630, Unit 1720, Unit 1730, Unit 1820, Unit 1830, Unit 1920, Unit 1930, Unit 2020, Unit 2030, Unit 2120, Unit 2130, Unit 2220, Unit 2230, Unit 2320, Unit 2330, Unit 2420, Unit 2430, Unit 2520, Unit 2530, Unit 2620, Unit 2630, Unit 2720, Unit 2820, Unit 4501, Unit 4502, Unit 4503, Unit 4504, Unit 4505, Unit 4506, Unit 4601, Unit 4602, Unit 4603, Unit 4604, Unit 4605, Unit 4606, Unit 4701, Unit 4702, Unit 4703, Unit 4704, Unit 4705, Unit 4706, Unit 5001, Unit 5002, Unit 5003, Unit 5004, Unit 5005, Unit 5006, Unit 5101, Unit 5102, Unit 5103, Unit 5104, Unit 5105, Unit 5106, Unit 5201, Unit 5202, Unit 5203, Unit 5204, Unit 5205, Unit 5206, Unit 5301, Unit 5302, Unit 5303, Unit 5304, Unit 5305, Unit 5306, Unit 5307, Unit 5401, Unit 5402, Unit 5403, Unit 5404, Unit 5405, Unit 5406, Unit 5407, Unit 5501, Unit 5502, Unit 5503, Unit 5504, Unit 5505, Unit 5506, Unit 5507, Unit 5601, Unit 5602, Unit 5603, Unit 5604, Unit 5605, Unit 5606, Unit 5607, Unit 5701, Unit 5702, Unit 5703, Unit 5704, Unit 5705, Unit 5706, Unit 5707, Unit 5801, Unit 5802, Unit 5803, Unit 5804, Unit 5805, Unit 5806, Unit 5807, Unit 6101, Unit 6201, Unit 6301, Unit 6401, Unit 6501, Unit 6801, Unit 6901, Units 7001 to 7201, Units 7401 to 8001, Units 8201 to 10001, Unit 2730 and Unit 2830 with an aggregate GFA of 184,003.34 sq.m. are subject to mortgages.
- iii) The hotel portion of the Property is subject to and carries the benefits to a hotel operating agreement and a hotel consultancy agreement for an initial term of 15 years renewable for a further term of 10 years from the date of opening at a consultancy fee of 1.75% on total revenue, a basic management fee of 0.25% on total revenue and an incentive management fee varied from 2.0% to 8.0% on Gross Operating Profit in each financial year depends on operating performance.

- iv) The serviced apartment portion of the Property is subject to and carries the benefits to an operation contract for and initial term of 10 years renewable for a further term of 10 years from the date of opening at a basic management fee of 2.0% on total revenue and an incentive management fee varied from 3.0% to 6.0% on adjusted Gross Operating Profits in each financial year.
- v) Annual rental income exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq.m.)	Contracted	Annual Rental Income (approx.)
		Lettable Area (sq.m.)	
Retail	46,727.28	45,093.39	87,500,000
Office	183,539.65	172,288.06	477,000,000
Carpark	71,082.79	71,082.79	16,700,000
Total	301,349.72	288,464.24	581,200,000

- vi) Annual net property income exclusive of value-added tax as at the Valuation Date and GFA breakdown of the hotel portion and serviced apartment of the Property are tabulated as follows:

Use	Gross Floor Area (sq.m.)	No. of Unit/Guestroom	Annual Net
			Property Income (approx.)
Hotel	89,198.83	344	58,900,000
Serviced Apartment	51,102.26	314	57,600,000
Total	140,301.09	658	116,500,000

- vii) Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the retail portion of the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Lettable Area
0	1	6.1%
1	2	0.8%
2	3	2.4%
3	4	1.0%
4	5	14.9%
5	6	15.2%
6	7	0.2%
7	8	0.6%
8	9	58.8%
9	10 or more	0.0%
Total		100.0%

- viii) Based on the tenancy information provided by the Manager, our analysis of the tenancy profile for the retail portion of the Property is set out below:

Year of Expiry	Proportion by Lettable Area
In 2021	10.9%
In 2022	8.9%
In 2023	6.0%
In 2024	1.8%
In 2025 and afterward	<u>72.4%</u>
Total	<u><u>100.0%</u></u>

- ix) Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the office portion of the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Lettable Area
0	1	6.0%
1	2	7.2%
2	3	47.9%
3	4	6.1%
4	5	25.0%
5	6	6.7%
6	7	1.1%
7	8	0.0%
8	9	0.0%
9	10 or more	<u>0.0%</u>
Total		<u><u>100.0%</u></u>

- x) Based on the tenancy information provided by the Manager, our analysis of the tenancy profile for the office portion of the Property is set out below:

Year of Expiry	Proportion by Lettable Area
In 2021	26.1%
In 2022	23.2%
In 2023	17.1%
In 2024	14.3%
In 2025 and afterward	<u>19.3%</u>
Total	<u><u>100.0%</u></u>

- xi) Save as disclosed, we understand that the Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value(s) of the Property.
- xii) As advised of the Manager, the Property management income of the Property covers all relevant property management expenses; and the monthly property management fee is payable by tenants.
- xiii) In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Retail	Income Capitalisation Method	Term Yield	3.85% per annum
		Reversion Yield	4.35% per annum
Office	Income Capitalisation Method	Term Yield	3.60% per annum
		Reversion Yield	4.10% per annum
Hotel	DCF Method	Average Daily Rate	1,981
		Occupancy Rate	70% in Year-1 of Projection
		Discount Rate	7.25% per annum
Serviced Apartment	DCF Method	Average Daily Rate	1,057
		Occupancy Rate	85% in Year-1 of Projection
		Discount Rate	7.00% per annum
Carpark	Income Capitalisation Method	Term Yield	3.85% per annum
		Reversion Yield	4.35% per annum

- xiv) Breakdown market values of the Property as at the Valuation Date area listed as follows:

Portion	Income Capitalisation		DCF Method	Market Value
	Method			
Retail	RMB2,797,000,000		NAP	RMB2,797,000,000
Office	RMB10,641,000,000		NAP	RMB10,641,000,000
Hotel		NAP	RMB2,532,000,000	RMB2,532,000,000
Serviced Apartment		NAP	RMB2,214,000,000	RMB2,214,000,000
Carpark	RMB600,000,000		NAP	RMB600,000,000
Total				<u>RMB18,784,000,000</u>

- xv) The estimated net yield of the Property is 3.71% which is derived from the estimated rental received for the retail, office, and carpark portion as well as annual net property income from the hotel and serviced apartment portions in the year ending 31 August 2021 excluding the value-added tax divided by the market value as at the Valuation Date.

VALUATION SUMMARY — PROPERTY 2

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT 31 AUGUST 2021																						
2	Various Units in White Horse Building, Nos. 14, 16 & 18 Zhan Nan Road, Yuexiu District, Guangzhou, Guangdong Province, The PRC	<p>The Property comprises Level LG (Lower Ground) to Level 8 of White Horse Building, which is a 10-storey (including a lower ground floor mainly for management office and storage uses and a basement carpark) wholesale market completed in about 1990 with two extensions furnished between 1995 to 1997 and 1998 to 2000 respectively.</p> <p>The Property has a total GFA of 50,199.35 sq.m., with details as below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Level (Use)</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>LG (Storage)</td> <td style="text-align: right;">1,121.68</td> </tr> <tr> <td>Level 1 (Commercial)</td> <td style="text-align: right;">7,667.04</td> </tr> <tr> <td>Level 2 (Commercial)</td> <td style="text-align: right;">7,199.80</td> </tr> <tr> <td>Level 3 (Commercial)</td> <td style="text-align: right;">7,684.91</td> </tr> <tr> <td>Level 4 (Commercial)</td> <td style="text-align: right;">7,695.56</td> </tr> <tr> <td>Level 5 (Commercial)</td> <td style="text-align: right;">7,466.39</td> </tr> <tr> <td>Level 6 (Commercial)</td> <td style="text-align: right;">7,443.90</td> </tr> <tr> <td>Level 7 (Commercial)</td> <td style="text-align: right;">2,003.54</td> </tr> <tr> <td>Level 8 (Commercial)</td> <td style="text-align: right;"><u>1,916.53</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">50,199.35</td> </tr> </tbody> </table> <p>Pursuant to the real estate ownership certificates provided, the land-use rights of Level LG, portion of Level 4, and Level 5 to Level 8 with a GFA of 20,483.40 sq.m. of the Property have been granted for a term of 50 years commenced from 7 June 2005 zoned for storage and office uses; the land-use rights of Level 1 to Level 3 and the remaining portion of Level 4 with a GFA of 29,715.95 sq.m. of the Property have been granted for a term of 40 years commenced from 7 June 2005 zoned for commercial use.</p>	Level (Use)	Gross Floor Area (sq.m.)	LG (Storage)	1,121.68	Level 1 (Commercial)	7,667.04	Level 2 (Commercial)	7,199.80	Level 3 (Commercial)	7,684.91	Level 4 (Commercial)	7,695.56	Level 5 (Commercial)	7,466.39	Level 6 (Commercial)	7,443.90	Level 7 (Commercial)	2,003.54	Level 8 (Commercial)	<u>1,916.53</u>	Total	50,199.35	<p>At the Valuation Date, the Property having an occupancy rate of 79.5% was let to various tenants at an aggregate monthly rent of approximately RMB21,900,000 (exclusive of value-added tax, management fees and utility charges) with the latest expiry date on 31 December 2024.</p>	<p>RMB5,089,000,000 (RENMINBI FIVE BILLION AND EIGHTY NINE MILLION) (100.00% of Interest is attributable to Yuexiu REIT.)</p>
Level (Use)	Gross Floor Area (sq.m.)																									
LG (Storage)	1,121.68																									
Level 1 (Commercial)	7,667.04																									
Level 2 (Commercial)	7,199.80																									
Level 3 (Commercial)	7,684.91																									
Level 4 (Commercial)	7,695.56																									
Level 5 (Commercial)	7,466.39																									
Level 6 (Commercial)	7,443.90																									
Level 7 (Commercial)	2,003.54																									
Level 8 (Commercial)	<u>1,916.53</u>																									
Total	50,199.35																									

Notes:

- i) Pursuant to Yue Fang Di Quan Zheng Sui Zi Di 0140018848 Hao and nine copy of real estate ownership certificates, the ownership of the Property is vested in 柏達投資有限公司 (Partat Investment Limited), being a subsidiary company of Yuexiu REIT.

- ii) Annual rental income exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq.m.)	Contracted	Annual Rental Income (approx.)
		Lettable Area (sq.m.)	
Commercial	50,128.90	39,943.64	262,600,000
Total	50,128.90	39,943.64	262,600,000

- iii) Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Lettable Area
0	1	12.1%
1	2	4.3%
2	3	43.1%
3	4	28.4%
4	5	12.1%
Total		100.0%

- iv) Based on the tenancy information provided by the Manager, our analysis of the tenancy profile for the Property is set out below:

Year of Expiry	Proportion by Lettable Area
In 2021	12.1%
In 2022	38.7%
In 2023	44.2%
In 2024	5.0%
In 2025 and afterward	0.0%
Total	100.0%

- v) Save as disclosed, we understand that the Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value of the Property.

- vi) As advised of the Manager, the Property management income of the Property covers all relevant property management expenses; and the monthly property management fee is payable by tenants.

vii) In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Commercial	Income Capitalisation Method	Term Yield	6.75% per annum
		Reversion Yield	7.25% per annum

viii) The estimated net yield of the Property is 5.16% which is derived from the estimated rental received in the year ending 31 August 2021 with an occupancy rate of 79.5% excluding the value-added tax divided by the market value as at the Valuation Date.

VALUATION SUMMARY — PROPERTY 3

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT 31 AUGUST 2021										
3	Various Units and 110 Car Spaces at Basement Levels 1 & 2 in Fortune Plaza, Nos. 114, 116 & 118 Ti Yu East Road, Tianhe District, Guangzhou, Guangdong Province, The PRC	<p>The Property is large majority portion in Fortune Plaza which comprises a 30-storey office (“Tower East”) and a 20-storey office tower (“Tower West”) erected on a 6-storey retail podium and a 2-storey basement car park, which is completed in 2003.</p> <p>The Property has a total GFA of 42,763.49 sq.m., including 110 car spaces of approximately 1,408.29 sq.m. at Basement Levels 1 and 2 with details as below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Certificated Use</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Commercial</td> <td style="text-align: right;">17,316.42</td> </tr> <tr> <td>Office</td> <td style="text-align: right;">24,038.78</td> </tr> <tr> <td>Carpark</td> <td style="text-align: right;"><u>1,408.29</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">42,763.49</td> </tr> </tbody> </table> <p>Pursuant to the Real Estate Ownership Certificates provided, the land-use rights of the Property with a total GFA of 17,316.42 sq.m. have been granted for a term of 40 years commenced from 26 November 2002 zoned for commercial uses; the land-use rights of the property with a total GFA of 24,038.78 sq.m. have been granted for a term of 50 years commenced from 26 November 2002 zoned for office use; the land-use rights of the property with a total GFA of 1,408.29 sq.m. have been granted for a term of 50 years commenced from 26 November 2002 zoned for car park use.</p>	Certificated Use	Gross Floor Area (sq.m.)	Commercial	17,316.42	Office	24,038.78	Carpark	<u>1,408.29</u>	Total	42,763.49	<p>At the Valuation Date, majority retail and office portion of the Property having an occupancy rate of 97.6% was let to various tenants at an aggregate monthly rent of approximately RMB 6,000,000 (exclusive of value-added tax, management fees and utility charges) with the latest expiry date on 31 August 2026.</p> <p>The car park spaces were subject to a master lease agreement expiring on 18 November 2022 at a monthly rent approximately RMB203,000 (exclusive of value-added tax, management fees and utility charges).</p>	<p>RMB1,256,000,000 (RENMINBI ONE BILLION TWO HUNDRED AND FIFTY SIX MILLION) (100.00% of Interest is attributable to Yuexiu REIT.)</p>
Certificated Use	Gross Floor Area (sq.m.)													
Commercial	17,316.42													
Office	24,038.78													
Carpark	<u>1,408.29</u>													
Total	42,763.49													

Notes:

- i) Pursuant to the copy of real estate ownership certificates, the ownership of the Property with a total GFA of 41,764.48 sq.m. is vested in 金峰有限公司 (Moon King Limited), being a subsidiary company of Yuexiu REIT.
- ii) Pursuant to the copy of real estate ownership certificates, the ownership of Unit 1701 of Tower East of the Property, having a total GFA of 999.01 sq.m. is vested in 廣州越秀城建國際金融中心有限公司 (Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd.).

iii) Yuexiu REIT holds the following units in Fortune Plaza as of the Valuation Date.

Portion	Use	Level / Unit
Basement	Carpark	Basement Level 1 and Level 2
Retail Podium	Commercial	Unit 109, Level 2, Level 3, Level 4 and Level 5
Tower East	Office	Units 801, 802, 803, 805, 806, 808, 903, 905, 906, 908, 1101, 1102, 1108, 1201, 1202, 1203, 1205, 1206, 1208, 1301, 1302, 1303, 1305, 1306, 1308, 1401, 1402, 1403, 1405, 1406, 1408, 1701, 1901, 1902, 1903, 1905, 1906, 1908, 2501 & 2601, 2705, 2801, 3401 and 3501 & 3601
Tower East	Commercial	Level 37
Tower West	Office	Level 8, Level 9, Level 10, Units 1101, 1102, 1103, 1105, 1106, 1108, 1201, 1202, 1203, 1205, 1206, 1208, 1301, 1302, 1303, 1305, 1306, 1308, 1401, 1402, 1403, Level 15, Level 16, Level 17, Level 18, Units 1902, 1903, 1905, 1906, 2401 & 2501 and Level 26
Tower West	Commercial	Level 27

iv) Annual rental income exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq.m.)	Contracted Lettable Area (sq.m.)	Annual Rental Income (approx.)
Commercial	3,853.07	3,706.37	34,800,000
Office	37,502.14	36,663.25	37,200,000
Carpark	1,408.29	1,408.29	2,400,000
Total	42,763.50	41,777.91	74,400,000

v) Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Lettable Area
0	1	1.0%
1	2	7.2%
2	3	20.6%
3	4	6.0%
4	5	49.9%
5	6	15.3%
6	7	0.0%
Total		100.0%

- vi) Based on the tenancy information provided by the Manager, our analysis of the tenancy profile for the Property is set out below:

Year of Expiry	Proportion by Lettable Area
In 2021	4.7%
In 2022	32.6%
In 2023	12.5%
In 2024	27.7%
In 2025 and afterward	<u>22.5%</u>
Total	<u>100.0%</u>

- vii) Save as disclosed, we understand that the Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value of the Property.
- viii) As advised of the Manager, the Property management income of the Property covers all relevant property management expenses; and the monthly property management fee is payable by tenants.
- ix) In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Commercial	Income Capitalisation Method	Term Yield	6.50% per annum
		Reversion Yield	7.00% per annum
Office	Income Capitalisation Method	Term Yield	5.50% per annum
		Reversion Yield	6.00% per annum
Carpark	Income Capitalisation Method	Term Yield	3.85% per annum
		Reversion Yield	4.35% per annum

- x) The estimated net yield of the Property is 5.92% which is derived from the estimated rental received in the year ending 31 August 2021 excluding the value-added tax divided by the market value as at the Valuation Date.

VALUATION SUMMARY — PROPERTY 4

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT 31 AUGUST 2021										
4	Various Units and 179 Car Spaces at Basement Levels 1 & 2 in City Development Plaza, Nos. 185, 187 & 189 Ti Yu West Road, Tianhe District, Guangzhou, Guangdong Province, The PRC	<p>The Property is large majority portion of City Development Plaza comprising a 28-storey office and commercial building erected on a 2-storey car park, which is completed in 1997.</p> <p>The Property has a total GFA of 44,501.61 sq.m., including 179 car spaces of approximately 2,104.25 sq.m. at Basement Levels 1 and 2 with details as below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Certificated Use</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Commercial</td> <td style="text-align: right;">11,757.54</td> </tr> <tr> <td>Office</td> <td style="text-align: right;">30,639.82</td> </tr> <tr> <td>Carpark</td> <td style="text-align: right;"><u>2,104.25</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>44,501.61</u></td> </tr> </tbody> </table> <p>Pursuant to the Real Estate Ownership Certificates provided, the land-use rights of the Property with a total GFA of 11,757.54 sq.m. have been granted for a term of 40 years commenced from 27 January 1997 zoned for commercial uses; the land-use rights of the Property with a GFA of 30,639.82 sq.m. have been granted for a term of 50 years commenced from 27 January 1997 zoned for office use; the land-use rights of the property with a total GFA of 2,104.25 sq.m. have been granted for a term of 50 years commenced from 27 January 1997 zoned for car park use.</p>	Certificated Use	Gross Floor Area (sq.m.)	Commercial	11,757.54	Office	30,639.82	Carpark	<u>2,104.25</u>	Total	<u>44,501.61</u>	<p>At the Valuation Date, majority retail and office portion of the Property having an occupancy rate of 94.9% was let to various tenants at an aggregate monthly rent of approximately RMB5,200,000 (exclusive of value-added tax, management fees and utility charges) with the latest expiry date on 31 August 2026.</p> <p>The car park spaces were subject to a master lease agreement expiring on 18 November 2022 at a monthly rent approximately RMB320,000 (exclusive of value-added tax, management fees and utility charges).</p>	<p>RMB1,058,000,000 (RENMINBI ONE BILLION AND FIFTY EIGHT MILLION) (100.00% of Interest is attributable to Yuexiu REIT.)</p>
Certificated Use	Gross Floor Area (sq.m.)													
Commercial	11,757.54													
Office	30,639.82													
Carpark	<u>2,104.25</u>													
Total	<u>44,501.61</u>													

Notes:

- i) Pursuant to copy of real estate ownership certificates, the ownership of the Property with a total GFA of 44,501.61 sq.m. is vested in 福建地產投資有限公司 (Full Estate Investment Limited), being a subsidiary company of Yuexiu REIT.

ii) Yuexiu REIT holds the following units in Development Plaza as of the Valuation Date.

Portion	Use	Level / Unit
Basement	Carpark	Basement Level 1 and Level 2
Commercial	Commercial	Units 101, 102, 103, 201, 202 and Level 3
Office	Office	Units 6A, 6C, 6D, 6E, 6F, 6G, 6I, 6J, 7A, 7H, 7I, 7J, 8C,8D,8E, 8F, 8G, 8H, 9D, 9E, 9F, 9G, 9H, 10A, 10C, 10D, 10E, 10F, 10G, 10H, 10I, 11A, 11B, 11C, 11D, 11E, 11F, 11G, 11H, 11I, 11J, Level 16, Units 17A, 17B, 17C, 17D, 17E, 17F, 17G, 17I, 17J, 18A, 18B, 18C, 18D, 18E, 18F, 18G, 18H, 18I, 18J, 19A, 19B, 19C, 19D, 19E, 19F, 19G, 19H, 19I, 19J, 20A, 20B, 20C, 20D, 20E, 20F, 20G, 20H, 20J, 21A, 21B, 21C, 21D, 21E, 21F, 21G, 21H, 21I, 21J, 22A, 22B, 22C, 22D, 22E, 22F, 22G, 22H, 22I, 22J, 23A, 23B, 23C, 23D, 23E, 23F, 23G, 23H, 23I, 23J, 24A, 24B, 24C, 24D, 24E, 24F, 24G, 24H, 24I, 24J, 25A, 25B, 25C, 25D, 25E, 25F, 25G, 25H, 25I, 25J, 26A, 26B, 26C, 26D, 26E, 26F, 26G, 26H, 26I, 26J, 27A, 27B, 27C, 27D, 27E, 27F, 27G, 27H, 27I, 27J, 28A, 28B, 28C, 28D, 28E, 28F, 28G, 28H, 28I, 28J

iii) Annual rental income exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq.m.)	Contracted	Annual Rental Income (approx.)
		Lettable Area (sq.m.)	
Commercial	11,757.54	10,482.42	14,400,000
Office	30,639.82	29,740.00	48,000,000
Carpark	2,104.25	2,104.25	3,800,000
Total	44,501.61	42,326.67	66,200,000

iv) Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Lettable Area
0	1	2.5%
1	2	7.5%
2	3	20.5%
3	4	9.5%
4	5	46.7%
5	6	13.3%
Total		100.0%

- v) Based on the tenancy information provided by the Manager, our analysis of the tenancy profile for the Property is set out below:

Year of Expiry	Proportion by Lettable Area
In 2021	18.6%
In 2022	21.6%
In 2023	16.8%
In 2024	4.9%
In 2025 and afterward	<u>38.1%</u>
Total	<u>100.0%</u>

- vi) Save as disclosed, we understand that the Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value of the Property.
- vii) As advised of the Manager, the property management income of the Property covers all relevant property management expenses; and the monthly property management fee is payable by tenants.
- viii) In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Commercial	Income Capitalisation Method	Term Yield	6.50% per annum
		Reversion Yield	7.00% per annum
Office	Income Capitalisation Method	Term Yield	6.00% per annum
		Reversion Yield	6.50% per annum
<i>Carpark</i>	Income Capitalisation Method	Term Yield	3.85% per annum
		Reversion Yield	4.35% per annum

- ix) The estimated net yield of the Property is 6.26% which is derived from the estimated rental received in the year ending 31 August 2021 excluding the value-added tax divided by the market value as at the Valuation Date.

VALUATION SUMMARY — PROPERTY 5

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN																						
				EXISTING STATE AS AT 31 AUGUST 2021																						
5	Various Units in Victory Plaza, No. 101 Ti Yu West Road, Tianhe District, Guangzhou, Guangdong Province, The PRC	<p>The Property is a retail podium portion from Basement Level 1 to Level 6 of Victory Plaza, which was completed in 2003.</p> <p>The Property has a total GFA of 27,698.14 sq.m., with details as below:</p> <table border="1"> <thead> <tr> <th>Level (Use)</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Basement (101)</td> <td>1,809.21</td> </tr> <tr> <td>Level 1 (101)</td> <td>473.71</td> </tr> <tr> <td>Level 1 (102)</td> <td>1,553.52</td> </tr> <tr> <td>Level 1 (Others)</td> <td>1,006.22</td> </tr> <tr> <td>Level 2</td> <td>3,968.92</td> </tr> <tr> <td>Level 3</td> <td>4,756.74</td> </tr> <tr> <td>Level 4</td> <td>4,756.74</td> </tr> <tr> <td>Level 5</td> <td>4,769.85</td> </tr> <tr> <td>Level 6</td> <td>4,603.23</td> </tr> <tr> <td>Total</td> <td>27,698.14</td> </tr> </tbody> </table>	Level (Use)	Gross Floor Area (sq.m.)	Basement (101)	1,809.21	Level 1 (101)	473.71	Level 1 (102)	1,553.52	Level 1 (Others)	1,006.22	Level 2	3,968.92	Level 3	4,756.74	Level 4	4,756.74	Level 5	4,769.85	Level 6	4,603.23	Total	27,698.14	At the Valuation Date, the Property having an occupancy rate of 98.7% was let to various tenants at an aggregate monthly rent of approximately RMB4,600,000 (exclusive of value-added tax, management fees and utility charges) with the latest expiry date on 31 October 2028.	RMB954,000,000 (RENMINBI NINE HUNDRED AND FIFTY FOUR MILLION) (100.00% of Interest is attributable to Yuexiu REIT.)
Level (Use)	Gross Floor Area (sq.m.)																									
Basement (101)	1,809.21																									
Level 1 (101)	473.71																									
Level 1 (102)	1,553.52																									
Level 1 (Others)	1,006.22																									
Level 2	3,968.92																									
Level 3	4,756.74																									
Level 4	4,756.74																									
Level 5	4,769.85																									
Level 6	4,603.23																									
Total	27,698.14																									

Pursuant to the real estate ownership certificates provided, the land-use rights of Basement Level 1 to Level 6 with a total GFA of 27,698.14 sq.m. of the Property have been granted for a term of 40 years commenced from 8 March 2004 zoned for commercial uses.

Notes:

- i) Pursuant to copy of real estate ownership certificates, the ownership of the Property with a total GFA of 27,698.14 sq.m. is vested in 京澳有限公司 (Keen Ocean Limited), being a subsidiary company of Yuexiu REIT.
- ii) Annual rental income exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq.m.)	Contracted	Annual Rental Income (approx.)
		Lettable Area (sq.m.)	
Commercial	27,262.27	26,906.14	55,200,000
Total	27,262.27	26,906.14	55,200,000

- iii) Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Lettable Area
0	1	0.0%
1	2	1.0%
2	3	2.0%
3	4	0.0%
4	5	15.1%
5	6	15.5%
6	7	0.0%
7	8	52.7%
8	9	13.7%
Total		<u>100.0%</u>

- iv) Based on the tenancy information provided by the Manager, our analysis of the tenancy profile for the Property is set out below:

Year of Expiry	Proportion by Lettable Area
In 2021	0.0%
In 2022	0.8%
In 2023	42.7%
In 2024	11.9%
In 2025 and afterward	44.6%
Total	<u>100.0%</u>

- v) Save as disclosed, we understand that the Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value of the Property.
- vi) As advised of the Manager, the property management income of the Property covers all relevant property management expenses; and the monthly property management fee is payable by tenants.
- vii) In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Commercial	Income Capitalisation Method	Term Yield	6.50% per annum
		Reversion Yield	7.00% per annum

- viii) The estimated net yield of the Property is 5.79% which is derived from the estimated rental received in the year ending 31 August excluding the value-added tax divided by the market value as at the Valuation Date.

VALUATION SUMMARY — PROPERTY 6

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN										
				EXISTING STATE AS AT 31 AUGUST 2021										
6	Tower 2 & 315 Car Spaces at Basement Levels 1 & 2, Hangzhou Victory Business Center, No. 9 Jiangxiu Street, Qianjiang New Town, Shangcheng District, Hangzhou, Zhejiang Province, The PRC	<p>Completed in 2017, the Property comprises the Tower 2 of Hangzhou Victory Business Center which consists of an 18-storey office building (including retail units on both Levels 1 and 2) over-mounting a 2-storey Basement car park.</p> <p>The Property has a total GFA of approximately 40,148.41 sq.m. including 315 car spaces (including 80 mechanical car spaces and 23 public car spaces) at Basement Levels 1 and 2 with breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Level (Use)</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>2,353.21</td> </tr> <tr> <td>Office</td> <td>20,131.62</td> </tr> <tr> <td>Car Park</td> <td><u>17,663.58</u></td> </tr> <tr> <td>Total</td> <td>40,148.41</td> </tr> </tbody> </table> <p>Pursuant to the real estate ownership certificates provided, the land use rights of the Property have been granted for a term due to expire on 3 July 2054 for commercial services use.</p>	Level (Use)	Gross Floor Area (sq.m.)	Retail	2,353.21	Office	20,131.62	Car Park	<u>17,663.58</u>	Total	40,148.41	<p>At the Valuation Date, the Property having an occupancy rate of 98.0% was let to various tenants at an aggregate monthly rent of approximately RMB 2,800,000 (exclusive of value-added tax, management fees and utility charges) with the latest expiry date on 31 October 2025.</p>	<p>RMB614,000,000 (RENMINBI SIX HUNDRED FOURTEEN MILLION) (100.00% of Interest is attributable to Yuexiu REIT.)</p>
Level (Use)	Gross Floor Area (sq.m.)													
Retail	2,353.21													
Office	20,131.62													
Car Park	<u>17,663.58</u>													
Total	40,148.41													

Notes:

- i) Pursuant to ten copies of real estate ownership certificates, the ownership of the Property is vested in 杭州越輝房地產開發有限公司, being a subsidiary company of Yuexiu REIT, for a term due to expire on 3 July 2054 for commercial services use.
- ii) Annual rental income exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq.m.)	Contracted	Annual Rental Income (approx.)
		Lettable Area (sq.m.)	
Office	20,131.62	19,338.57	28,800,000
Retail	2,353.21	2,353.21	2,400,000
Others	<u>17,663.58</u>	<u>17,663.58</u>	<u>2,300,000</u>
Total	<u>40,148.41</u>	<u>39,355.36</u>	<u>33,500,000</u>

- iii) Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Lettable Area
0	1	2.2%
1	2	4.0%
2	3	52.3%
3	4	0.0%
4	5	24.2%
5	6	17.3%
Total		<u>100.0%</u>

- iv) Based on the tenancy information provided by the Manager, our analysis of the tenancy profile for the Property is set out below:

Year of Expiry	Proportion by Lettable Area
In 2021	20.0%
In 2022	14.7%
In 2023	22.9%
In 2024	28.9%
In 2025 and afterward	13.5%
Total	<u>100.0%</u>

- v) Save as disclosed, we understand that the Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value of the Property.
- vi) As advised of the Manager, the Property management income of the Property covers all relevant property management expenses; and the monthly property management fee is payable by tenants.

vii) In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Retail	Income Capitalisation Method	Term Yield	4.50% per annum
		Reversion Yield	5.00% per annum
Office	Income Capitalisation Method	Term Yield	4.50% per annum
		Reversion Yield	5.00% per annum
Car Park	Income Capitalisation Method	Term Yield	4.50% per annum
		Reversion Yield	5.00% per annum

viii) The estimated net yield of the Property is 5.46% which is derived from the estimated rental received in the year ending 31 August 2021 excluding the value-added tax divided by the market value as at the Valuation Date.

VALUATION SUMMARY — PROPERTY 7

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT 31 AUGUST 2021																
7	Yuexiu Tower, No. 388 Fushan Road, Lot No. Qiu 2/9 Jiefang 302, Weifang Xincun Sub-district, Pudong New Area, Shanghai, The PRC	<p>Completed in 2010, the Property is a 25-storey commercial building with a 2-storey basement. According to the information provided by the Client, Levels 1 and 2 and part of Basement Level 1 are for retail use, other parts of basement are for car parking purpose, and Levels 3-25 except for the refuge floor on 14th floor are used for office.</p> <p>The Property has a site area of approximately 10,641.00 sq.m. and a total GFA of 62,139.35 sq.m., with details as below:</p> <table border="1"> <thead> <tr> <th>Level (Use)</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Basement Level 1 (Partially), Levels 1 &2 (Retail)</td> <td>6,256.70</td> </tr> <tr> <td>Levels 3-25 (Office)</td> <td>39,769.63</td> </tr> <tr> <td>Basement Levels 1&2 (Car Park)</td> <td>13,502.58</td> </tr> <tr> <td>Bicycle Car Parks</td> <td>1,296.18</td> </tr> <tr> <td>Management Office</td> <td>276.53</td> </tr> <tr> <td>Refuge Floor</td> <td><u>1,037.73</u></td> </tr> <tr> <td>Total</td> <td>62,139.35</td> </tr> </tbody> </table> <p>Pursuant to the real estate ownership certificates provided, the land-use rights of the Property have been granted for a term of 50 years commenced from 7 January 2005 to 6 January 2055 zoned for retail and office uses.</p>	Level (Use)	Gross Floor Area (sq.m.)	Basement Level 1 (Partially), Levels 1 &2 (Retail)	6,256.70	Levels 3-25 (Office)	39,769.63	Basement Levels 1&2 (Car Park)	13,502.58	Bicycle Car Parks	1,296.18	Management Office	276.53	Refuge Floor	<u>1,037.73</u>	Total	62,139.35	<p>At the Valuation Date, the retail and office portions of the Property having an occupancy rate of 91.4% was let to various tenants at an aggregate monthly rent of approximately RMB10,200,000 (exclusive of value-added tax, management fees and utility charges) with the latest expiry date on 31 July 2026. The Car Spaces were leased out and expired at 31 December 2023, with a monthly rent of approximately RMB140,000 (exclusive of value-added tax, management fees and utility charges).</p>	<p>RMB3,060,000,000 (RENMINBI THREE BILLION AND SIXTY MILLION) (100.00% of Interest is attributable to Yuexiu REIT.)</p>
Level (Use)	Gross Floor Area (sq.m.)																			
Basement Level 1 (Partially), Levels 1 &2 (Retail)	6,256.70																			
Levels 3-25 (Office)	39,769.63																			
Basement Levels 1&2 (Car Park)	13,502.58																			
Bicycle Car Parks	1,296.18																			
Management Office	276.53																			
Refuge Floor	<u>1,037.73</u>																			
Total	62,139.35																			

Notes:

- i) Pursuant to the copy of Shanghai Certificate of Real Estate Ownership (Hu (2019) Pu Zi Bu Dong Chan Quan Di 129581 Hao), the ownership of the Property is vested in 上海宏嘉房地產開發有限公司 (Shanghai Hong Jia Real Estate Development Co., Ltd.), being a subsidiary company of Yuexiu REIT.

- ii) Annual rental income exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq.m.)	Contracted	Annual Rental Income (approx.)
		Lettable Area (sq.m.)	
Retail	6,256.70	5,726.00	13,200,000
Office	39,769.63	36,360.47	109,200,000
Car Parks	13,502.58	13,502.58	1,700,000
Total	59,528.91	55,589.05	124,100,000

- iii) Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Lettable Area
0	1	2.1%
1	2	9.6%
2	3	45.2%
3	4	18.8%
4	5	17.9%
5	6	1.3%
6	7	5.1%
Total		100.0%

- iv) Based on the tenancy information provided by the Manager, our analysis of the tenancy profile for the Property is set out below:

Year of Expiry	Proportion by Lettable Area
In 2021	10.2%
In 2022	33.1%
In 2023	24.3%
In 2024	23.1%
In 2025 and afterward	9.3%
Total	100.0%

- v) Save as disclosed, we understand that the Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value of the Property.

- vi) As advised of the Manager, the property management income of the Property covers all relevant property management expenses; and the monthly property management fee is payable by tenants.

vii) In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Retail	Income Capitalisation Method	Term Yield	3.75% per annum
		Reversion Yield	4.00% per annum
Office	Income Capitalisation Method	Term Yield	3.75% per annum
		Reversion Yield	4.00% per annum
Car Parks	Income Capitalisation Method	Term Yield	3.75% per annum
		Reversion Yield	4.00% per annum

viii) The estimated net yield of the Property is 4.06% which is derived from the estimated rental received in the year ending 31 August 2021 excluding the value-added tax divided by the market value as at the Valuation Date.

VALUATION SUMMARY — PROPERTY 8

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT 31 AUGUST 2021												
8	Wuhan Yuexiu Fortune Centre, Starry Victoria Shopping Centre and various car spaces, No. 1 Zhongshan Avenue, Qiaokou District, Wuhan, Hubei Province, the PRC	<p>The Property is a commercial development, which comprises one 68-storey office tower, known as Wuhan Yuexiu Fortune Centre; a 5-storey shopping centre (inclusive of 1 storey of Basement), known as Starry Victoria Shopping Centre; 1,134 car park lots for office and retail portions and 375 car park lots for residential portion. The Property was completed between 2015 to 2016.</p> <p>As advised, the Property has a total GFA of approximately 248,194.22 sq.m.. The details are listed below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Portions</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Office</td> <td style="text-align: right;">129,446.74</td> </tr> <tr> <td>Retail</td> <td style="text-align: right;">43,546.60</td> </tr> <tr> <td>Carpark</td> <td style="text-align: right;">62,785.76</td> </tr> <tr> <td>Ancillary facilities</td> <td style="text-align: right;"><u>12,415.12</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">248,194.22</td> </tr> </tbody> </table> <p>Pursuant to a total of 456 Real Estate Ownership Certificates provided, the land-use rights of the Property with a total site area of 41,428.11 sq.m. have been granted for a term expiring on 26 May 2051 zoned for commercial and financial uses.</p>	Portions	Gross Floor Area (sq.m.)	Office	129,446.74	Retail	43,546.60	Carpark	62,785.76	Ancillary facilities	<u>12,415.12</u>	Total	248,194.22	<p>As at the valuation date of our inspection, the office portion of the Property having an occupancy rate of 88.3% was let to various tenants at an aggregate monthly rent of approximately RMB9,000,000 (exclusive of value-added tax, management fees and utility charges) with the latest expiry date on 30 September 2026.</p> <p>Retail portion of the Property having an occupancy rate of 99.4% was let to various tenants at an aggregate monthly rent of approximately RMB2,500,000 (exclusive of value-added tax, management fees and utility charges) with the latest expiry date on 9 September 2035.</p>	<p>RMB3,673,000,000 (RENMINBI THREE BILLION SIX HUNDRED AND SEVENTY THREE MILLION) (67.00% of Interest is attributable to Yuexiu REIT.)</p>
Portions	Gross Floor Area (sq.m.)															
Office	129,446.74															
Retail	43,546.60															
Carpark	62,785.76															
Ancillary facilities	<u>12,415.12</u>															
Total	248,194.22															

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT 31 AUGUST 2021
			Carpark portion of the Property was subject to two master lease agreements at a total monthly rent of approximately RMB920,000 (exclusive of value-added tax, management fees and utility charges) with the expiry date on 31 December 2023.	

Notes:

- i) Pursuant to the copies of 456 Real Estate Ownership Certificates, the ownership of the Property is vested in 武漢越秀地產開發有限公司, being a subsidiary company of Yuexiu REIT.
- ii) Annual rental income exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq.m.)	Contracted Lettable area (sq.m.)	Annual Rental Income (approx.)
Office	129,446.74	114,344.56	108,000,000
Commercial	43,546.60	43,275.02	30,000,000
Carpark	62,785.76	62,785.76	11,000,000
Total	235,779.10	220,405.34	149,000,000

- iii) Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for office portion of the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Lettable Area
0	1	9.6%
1	2	10.8%
2	3	23.5%
3	4	13.7%
4	5	41.7%
5	6	0.7%
Total		<u>100.0%</u>

- iv) Based on the tenancy information provided by the Manager, our analysis of the tenancy profile for office portion of the Property is set out below:

Year of Expiry	Proportion by Lettable Area
In 2021	9.0%
In 2022	20.0%
In 2023	28.2%
In 2024	20.0%
In 2025 and afterward	22.8%
Total	<u>100.0%</u>

- v) Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for retail portion of the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Lettable Area
0	1	8.1%
1	2	5.7%
2	3	9.5%
3	4	4.6%
4	5	14.4%
5	6	18.8%
6	7	1.8%
7	8	8.9%
8	9	10.2%
9	10 and more	18.0%
Total		<u>100.0%</u>

- vi) Based on the tenancy information provided by the Manager, our analysis of the tenancy profile for retail portion of the Property is set out below:

Year of Expiry	Proportion by Lettable Area
In 2021	7.8%
In 2022	22.5%
In 2023	26.3%
In 2024	8.9%
In 2025 and afterward	<u>34.5%</u>
Total	<u>100.0%</u>

- vii) Save as disclosed, we understand that the Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value of the Property.
- viii) As advised of the Manager, the property management income of the Property covers all relevant property management expenses; and the monthly property management fee is payable by tenants.
- ix) In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Office	Income Capitalisation Method	Term Yield	4.50% per annum
		Reversion Yield	5.00% per annum
Commercial	Income Capitalisation Method	Term Yield	5.00% per annum
		Reversion Yield	5.50% per annum
Carpark	Income Capitalisation Method	Term Yield	5.50% per annum
		Reversion Yield	6.00% per annum

- x) The estimated net yield of the Property is 4.05% which is derived from the estimated rental received in the year ending 31 August 2021 excluding the value-added tax divided by the market value as at the Valuation Date.

The following is the reproduction of the text of a report received from Cushman & Wakefield Limited, the Market Consultant for the purpose of inclusion in this Circular.



27th Floor
One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

13 November 2021

The Directors**Yuexiu REIT Asset Management Limited**

(in its capacity as manager of Yuexiu Real Estate Investment Trust)

17B, Yue Xiu Building
160 Lockhart Road
Wanchai
Hong Kong

Dear Sirs,

Pursuant to the instructions of Yuexiu Real Estate Investment Trust (“Yuexiu REIT”), we have prepared a Guangzhou Grade A office market research report for inclusion in the circular to Unitholders relating to the proposed acquisition of a Guangzhou property by Yuexiu REIT.

1. Macro Overview

Being the largest central city in southern China, Guangzhou functions as the political, economic and cultural centre of Guangdong Province, and is also one of the four First-Tier cities in China. Guangzhou is in the south-central region of Guangdong Province and at the lower reaches of the Pearl River, bordering the South China Sea. The city is bordered by Huizhou to the east, Foshan to the west, Qingyuan and Shaoguan to the north, Dongguan and Zhongshan to the south, and near Hong Kong Special Administrative Region and Macao Special Administrative Region (“SAR”). Guangzhou is a national logistics hub, a comprehensive national gateway city, the first batch of open coastal cities, the central city of the Guangdong-Hong Kong-Macao Greater Bay Area (the “GBA”) and the Pan-Pearl River Delta Economic Zone, as well as the hub city of the Belt and Road Initiative.

According to the latest administrative division, there are 11 districts in Guangzhou, including Yuexiu District, Haizhu District, Liwan District, Tianhe District, Baiyun District, Huangpu District (formed through merging the former Huangpu District and Luogang District), Panyu District, Huadu District, Nansha District, Zengcheng District (former Zengcheng City) and Conghua District (former Conghua City).

Guangzhou has a total area coverage of 7,434.40 sq.km. in which 3,843.43 sq.km. constitutes the urban area. The result of the 7th National Census in 2020 showed that the resident population of Guangzhou was 18.68 million and the urbanization rate was 86.19%.

The Pearl River Delta Area has a large number of outlying islands and dense waterways. Humen, Jiaomen, Hongqimen and other waterways render Guangzhou an excellent port for ocean freight of China and a trading port for the Pearl River Region. Not only is Guangzhou the junction of the Beijing-Guangzhou Railway, the Guangzhou-Shenzhen Railway, the Guangzhou-Maoming Railway, the Guangzhou-Meizhou-Shantou Railway and the Wuhan-Guangzhou High-speed Railway, but also the airline hub of South China. Therefore, Guangzhou has extremely close connections with different cities around the country and is called the “South Gate” (南大門) of China. It is also known as the “Thousand-Year Commercial Capital” as it has been one of the most important business centres in China throughout history.

Picture 1: Map of China and the Location of Guangzhou



1.1 City Interpretation

1.1.1 National Central City

In 2010, the concept of Five National Central Cities was brought up by the *National Urban System Planning (2010-2020)* (《全國城鎮體系規劃(2010-2020年)》), which was issued by the Ministry of Housing and Urban-Rural Development. The document specified the first batch of National Central Cities, namely Beijing, Shanghai, Guangzhou, Tianjin and Chongqing.

According to the *National Urban System Planning* (《全國城鎮體系規劃》), which is issued by the Ministry of Housing and Urban-Rural Development, National Central Cities are considered the highest level under the system of cities and towns. National Central Cities play leading roles in radiating, distributing, and expanding different aspects of development in China, including economy, politics, culture and international exchange. The idea of setting up National Central Cities originated from the desire of achieving significant improvement in urbanization and modernization in China.

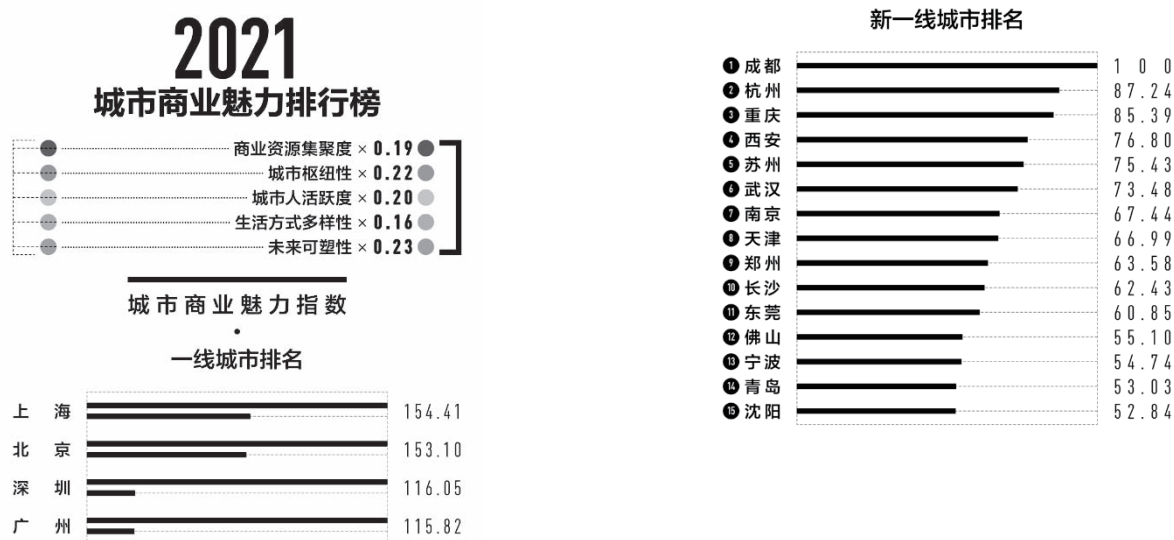
1.1.2 First-Tier Cities in mainland China

In mainland China, Beijing, Shanghai, Guangzhou and Shenzhen are known as First-Tier cities. Not only do these cities hold important positions in the nation's political scene, economy and other social activities, they also play leading and radiating functions for other cities. Their outstanding status are mainly reflected in their levels of urban development, comprehensive economic performance, radiation-driver ability, attraction to talents, information exchange ability, international competitiveness, capabilities of scientific and technological innovation, accessibility in transportation, etc. First-Tier cities play leading and radiation functions in national social activities, including production, service, finance, innovation, logistics, commerce, etc.

1.1.3 Ranking of First-Tier Cities

According to the *2021 China City Business Attractiveness Ranking* released by Yicai's New First-Tier City Research Institute (第一財經•新一線城市研究所) on 27 May 2021, Guangzhou is ranked 4th among 337 prefecture-level and above cities in mainland China. The evaluation was based on collected store data from 170 mainstream retail brands, user behaviour data from 17 leading internet companies in various fields and city big data from data agencies. The five evaluation indicators were: density of commercial resources, intensity of transportation networks, activeness of urban population, diversity of lifestyle and future adaptivity.

Picture 2: 2021 China City Business Charm Ranking for First-Tier Cities



Source: *China City Business Attractiveness Ranking*

1.1.4 World-class City

According to the 2020 classification of cities by the world's most authoritative global cities research institution GAWC (Globalization and World Cities Study Group and Network), Hong Kong (ranked 3rd), Shanghai (ranked 5th), Beijing (ranked 6th), Guangzhou (ranked 34th), Taipei (ranked 36th) and Shenzhen (ranked 46th) were classified as First-Tier world-class cities. Based on the same source, Guangzhou has become the 4th financial centre in China, following Hong Kong, Shanghai and Beijing.

According to The Global Cities Index 2020 report published by A.T. Kearney in November 2020, the Global Urban Competitiveness Report 2020 - 2021 published by UN-Habitat and The Institute of Economic Strategy of the Chinese Academy of Social Science in December 2020 and the Classification of Cities 2020 published by GAWC in August 2020, Guangzhou's performance has been improving year by year. As the city's influence, competitiveness and innovativeness continue to rise, international ranking agencies increasingly recognize Guangzhou's urban value and potential for future development.

1.1.5 Business Environment

The China Strategy Culture Promotion Association (CSCPA), the Economic Media Association of China, the WANB Institute and the Yicai Research Institute jointly published the China's Urban Business Environment Index Report on Post Coronavirus Era (2020). According to report, the top 10 cities with the best business environment are: Shanghai (94.93), Beijing (94.68), Shenzhen (94.00), Guangzhou (93.83), Hangzhou (90.53), Wuhan (89.97), Nanjing (88.02), Tianjin (86.71), Chengdu (84.52) and Suzhou (84.29). Guangzhou was ranked 4th.

In the report, the city's business environment is measured comprehensively based on five aspects: market environment, innovation environment, living environment, government service environment, regulatory supervision and enforcement, and the protection on the rule of law.

Guangzhou was ranked 3rd in terms of both market environment and innovation environment, following Beijing and Shanghai, and was ranked 1st in terms of living environment.

1.2 Guangzhou's Macroeconomics

1.2.1 Key Economic Indicators

Table 1: Key Economic Indicators of Guangzhou

	2016	2017	2018	2019	2020	CAGR
GDP (RMB billion)	1,978	2,150	2,286	2,363	2,502	6.0%
GDP of the Tertiary						
Industry (RMB billion)	1,365	1,527	1,640	1,692	1,814	7.4%
GDP Per Capita (RMB)	143,638	150,678	155,491	156,427	133,960	—

Note: GDP is calculated using prices of the then prevailing year

Source: Guangzhou Statistics Bureau

According to the Guangzhou Regional Economic and Social Development Statistical Bulletin 2020, the total GDP of Guangzhou in 2020 was RMB2,502 billion, with a growth rate of 2.7% compared to 2019. The growth rate was ranked the 2nd among First-Tier cities in China, following Shenzhen (3.1%). During the 13th Five-Year Plan (2016-2020), Guangzhou's regional GDP increased from RMB1,856 billion to RMB2,502 billion. The five-year compound annual growth rate (CAGR) is 6%. GDP per capita has reached over USD20,000, achieving the level of high-income economy.

Despite facing the COVID-19 pandemic and the increasingly complicated environment domestically and abroad, the growth rate of the regional GDP of Guangzhou was -6.8% for the first quarter of 2020, -2.7% for the first half of the year, 1.0% for the first three quarters, and 2.7% for the whole year. As evident in the 2020 economic trend, Guangzhou's economy was able to recover from having a negative growth rate to an accelerating positive growth rate. Under normalized pandemic prevention policies, Guangzhou's economy is steadily improving in its resilience and vitality.

1.2.2 Retail

Table 2: Total Retail Sales of Consumer Goods in Guangzhou

	2016	2017	2018	2019	2020	CAGR
Total Retail Sales (RMB billion)	871	940	926	998	922	1.4%

Source: Guangzhou Statistics Bureau

From 2016 to 2020, the total retail sales of consumer goods in Guangzhou continues to rise with a CAGR of 4.7%. The total retail sales of consumer goods in Guangzhou in 2020 was RMB921.9 billion, ranking the 4th in China only after Shanghai (RMB1,593 billion), Beijing (RMB1,372 billion) and Chongqing (RMB1,179 billion).

1.2.3 Fixed Asset Investment and Real Estate Investment

Table 3: Fixed Asset Investment and Real Estate Investment of Guangzhou

	2016	2017	2018	2019	2020	CAGR
Fixed Assets Investment (RMB billion)	570	592	594	692	761	7.5%
Real Estate Investment (RMB billion)	254	270	270	310	329	6.7%

Source: Guangzhou Statistics Bureau

From 2016 to 2020, Guangzhou's fixed asset investment and real estate investment maintain steady growth, with compound annual growth rates of 7.5% and 6.7%, respectively. The year-on-year growth was 16.5% in 2019 and 10.0% in 2020, obtaining two-digit growth rates for two consecutive years.

1.2.4 Foreign Economy

Table 4: Foreign Trade of Guangzhou

	2016	2017	2018	2019	2020	CAGR
Total Value of Imports and Exports (RMB billion)	854	972	981	1,000	953	2.8%
Actual Use of Foreign Capital (USD billion)	5.7	6.3	6.6	7.1	7.2	7.3%

Source: Guangzhou Statistics Bureau

In 2020, the total value of Guangzhou's foreign imports and exports was RMB953 billion, a decrease of 4.8% from the previous year. The total export value was RMB542.8 billion, an increase of 3.2% from the previous year; the total import value was RMB410.2 billion, a decrease of 13.6% from the previous year. Although the COVID-19 pandemic has affected Guangzhou's foreign trade to a certain extent, the global supply chain pattern has not changed fundamentally. Domestic and foreign markets are recovering gradually, and Guangzhou's foreign trade has an optimistic outlook.

Foreign investment is an important pillar of the economic development and the optimization of industrial structure in Guangzhou. During the 13th Five-Year Plan (2016-2020), the actual amount of foreign capital used in Guangzhou was USD33 billion, increased by 35.8% compared to the period under the 12th Five-Year Plan (2011-2015). Particularly, the used amount was approximately RMB50 billion in 2020, increased by 7.5%, reaching historical high. As demonstrated by the *2021 Guangzhou Municipal Government Work Report*, by the end of 2020, a total of 309 Fortune Global 500 companies have entered Guangzhou; there have been 37 projects with more than RMB10 billion investment. Guangzhou is working on optimizing its international business environment from all aspects and continuously improving its level of openness. The *Outline of the 14th Five-Year Plan for Economic and Social Development and the Vision for 2035 of Guangzhou* (《廣州市國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》) mentioned that, during the 14th Five-Year Plan (2021-2025), Guangzhou will advance the promotion and protection of foreign investment, and improve the quantity and quality of foreign capital used. The municipal government will fulfil national policies such as substantially liberalizing market access and relaxing restrictions on the stock-ratio shared by foreign capital, fully set up the management system that would grant foreign investment pre-establishment national treatment based on the Negative Lists, expand the openness of the service industry, implement policies that would help the establishment of foreign enterprises in the city, and protect the legal rights and interests of foreign enterprises.

1.2.5 Population

According to China's 7th National Census in 2020, Guangzhou currently has 18.68 million resident population. The city's urbanization rate is 86.19%. Compared to the 6th National Census in 2010, the resident population increased by 5.98 million with an average annual growth rate of 3.93%.

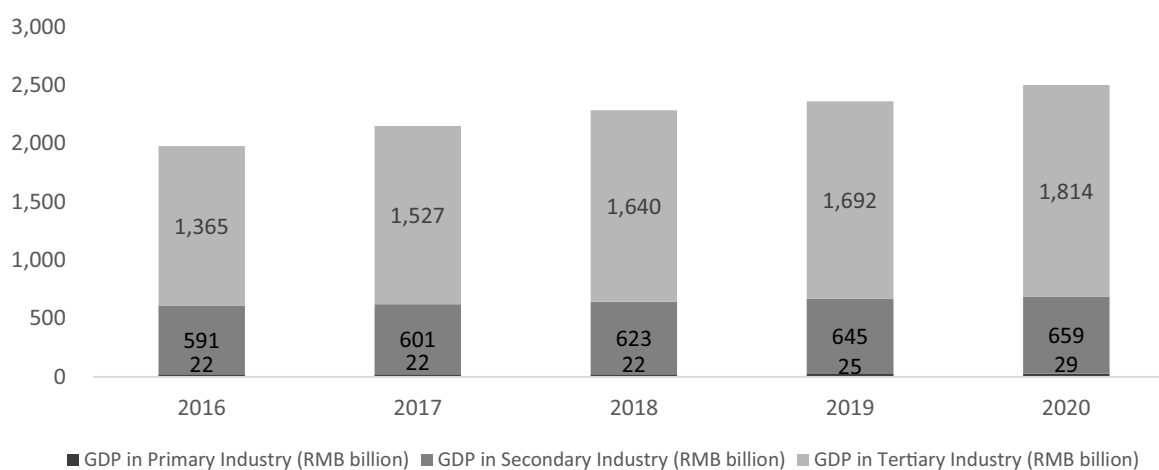
The increasing resident population in Guangzhou shows the city's attractiveness. There are several reasons for this. First, the scale of cross-city migrants is expanding. Guangzhou, as a national central city, has high-level of diversity in its economic development and countless employment opportunities. It is one of the most attractive cities for talents and the most dynamic economies in China. Second, the municipal government continues to optimize the policy for resident settlement, which attracted a great number of talents, such as college graduates, skilled workers and personnel, and students who have studied abroad, to settle down in Guangzhou. Moreover, the successive implementation of the national family planning policy has achieved positive results. The fertility levels in Guangzhou rebounded and the natural population growth reached a relatively stable level.

Additionally, Guangzhou has a large number of universities. With the rapid development of general higher education, the number of university students in Guangzhou reached 1.31 million in 2020, ranked 1st in China. The newly-settled entrepreneurs and college students would release strong development potential in the future and provide the city with talents needed for accelerating the construction of modern industrial system.

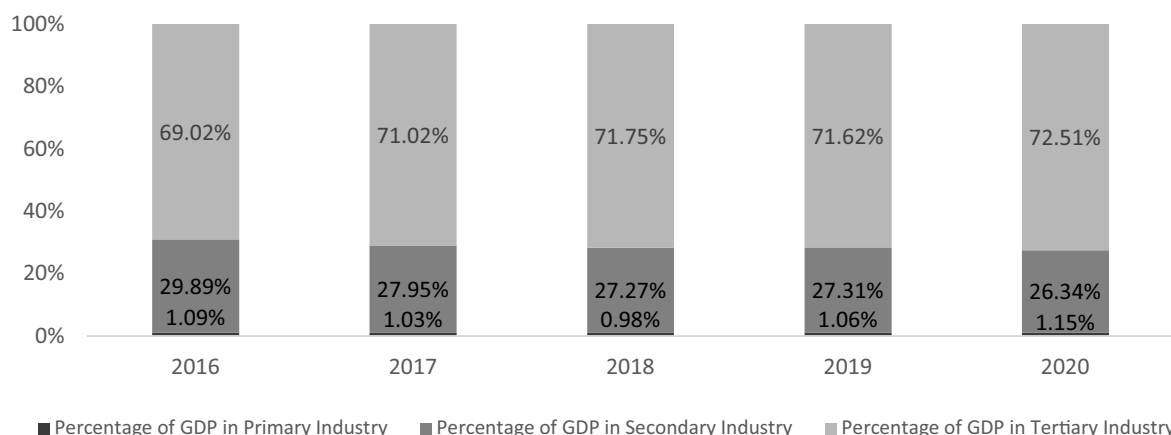
1.3 Industrial Structure of Guangzhou

1.3.1 Current Status of Industrial Structure

Table 5: Comparison of GDP in Primary, Secondary and Tertiary Industries in Guangzhou from 2016 to 2020 (RMB billion)



Note: GDP is calculated using prices of the then prevailing year

Table 6: Proportion of GDP in Primary, Secondary and Tertiary Industries in Guangzhou from 2016 to 2020 (%)

Note: According to the Classification of National Economic Industries (GB/T 4754-2011) and the Regulations on the Classification of the Three Industries, the three industries are classified as follows: Primary industry refers to agriculture, forestry, animal husbandry and fishery (excluding agriculture, forestry, animal husbandry and fishery services). Secondary industry refers to mining industry (excluding mining auxiliary activities), manufacturing industries (excluding metal products, machinery and equipment repair industry), production and supply of electricity, heat, gas and water, and construction industry. Tertiary industry refers to service industry, and industries other than the primary and secondary industries.

Source: Guangzhou Statistics Bureau

Since the 1990s, the tertiary industry has gradually become the driving force of Guangzhou's economy. In 2020, the proportion of primary, secondary and tertiary industries were 1.15%, 26.34% and 72.51% respectively.

During the 13th Five-Year Plan (2016-2020), Guangzhou was able to achieve sustainable and healthy economic development through accelerating the adjustment of industrial structure.

The city's agriculture was industrialized and urbanized, speeding up the formation of a new agricultural model.

The industry is moving towards high-end development; automobile manufacturing, electronic product manufacturing, and petrochemical manufacturing boomed and became the three pillar industries in Guangzhou. The output value of the three pillar industries in 2020 increased by 3.7% from 2019, accounting for 51.4% of the city's total industrial output value. Among them, the automobile manufacturing industry performed outstandingly. Automobile production in Guangzhou exceeded 2.95 million units in 2020, ranking 1st in China. The total output value of electronics manufacturing and petrochemical manufacturing industries grew by 3.6% and 3.4% from 2019, respectively.

The service industry in Guangzhou is in the process of modernization. After the Reform and Open-up, Guangzhou continuously accelerated the development of the tertiary industry. The growth in the sector achieved sustainable growth. The city focused mainly on promoting transportation, financial insurance, real estate, MICE services, business tourism, etc., which provided important support to economic development. Currently, Guangzhou is working on modernizing the traditional service industry. The ratio of the output value of finance, information transmission industry, software and information service (“Internet +”), and high-end service to the overall output value of the tertiary industry increased annually. While the share of the tertiary industry in Guangzhou’s regional GDP continues rising, the internal structure of the sector is also undergoing adjustment. In 2020, the bolstering effect of the information transmission industry, software and IT service industry became more obvious to economic growth, with the total output value increased by 12.9% from 2019. Scientific research and technical services became the new growth point, increased by 9.7% from 2019. In January 2021, the China Securities Regulatory Commission officially approved the establishment of the Guangzhou Futures Exchange. The exchange will cover emerging industries such as technology, green industry, finance and environmental protection in the future, achieving a comprehensive and multi-disciplinary coverage.

The booming of the financial industry, high-end professional services and emerging industries will continue to stimulate the demand for Grade A office space and provide a stable source of tenants.

1.3.2 Industrial Development Planning

The *Outline of the 14th Five-Year Plan for Economic and Social Development and the Vision for 2035 of Guangzhou* states that during the 14th Five-Year Plan (2021-2025), Guangzhou will construct a functional layout of industries that is “led by one core, driven by two polarities, radiated by three ports and supported by numerous points.” The city will build new pillar industries such as a new generation of information technology, intelligent and new energy vehicles, and biomedical and health industry. The city will accelerate the development of intelligent equipment and robotics, new energy and energy conservation, new materials and fine chemicals, and other emerging industries. It will create three industrial zones along the Pearl Rivers, in the south-east, and the west of the city, and form a progressive industrial system that is led by strategic new industries, has modern service industry as the main body, and is bolstered by advanced manufacturing.

According to the *Outline*, “one core” refers to Guangzhou’s artificial intelligence and digital economy pilot zones, where internet and cloud computing, big data, AI, and new generation of IT are the main focuses. The 2.1 km² pilot zone located in western Pazhou has now attracted 22 companies from the field of AI and digital economy to settle, including Alibaba, Tencent, Fosun International, Vipshop, GOME and Xiaomi. The total number of settled enterprises has now exceeded 30,000.

“Two polarities” refers to the Sino-Singapore Guangzhou Knowledge City and Guangzhou Science City that are located in eastern Guangzhou, and Nansha Science City that is located in Nansha District. The Sino-Singapore Knowledge City has attracted 165 major projects, including Lonza, CanSemi, BeiGene and InnoCare Pharma, with a total fixed asset investment of RMB162.1 billion and

a production output of over RMB380 billion. The Guangzhou Science City, of which the planning area has been expanded to 145 square kilometres, is now building a number of demonstration projects of unmanned factory and unmanned workshop, constructing a national industrial Internet innovation centre, and promoting the digitalization, informatization and intellectualization of manufacturing.

“Three ports” means airport, harbour and railroad port. Guangzhou is one of the three major integrated transportation hubs in China. Through the construction of a modern transportation circulation system, Guangzhou fits into a new development pattern where the domestic circulation is the main body, the domestic and international circulations promote each other.

Talents, techniques, industries, capital, AI and digital economy pilot zones are the essential elements for the development of digital economy in Guangzhou. Represented by Sino-Singapore Guangzhou Knowledge City and Nansha Science City, Huangpu and Nansha districts are the direction where Guangzhou strives to acquire new development momentum and a brand new economic growth point. The construction of world-class airport, metropolis built on top of railways, first-class seaports, internationally integrated transportation hubs are the important strategies for the old city to realize its new vitality, play the role as a comprehensive gateway city and become a core driver of the development of the Greater Bay Area.

The Outline of the 14th Five-Year Plan for Economic and Social Development and the Vision for 2035 of Guangzhou indicates that Guangzhou will accelerate the forming of modern financial service system. On April 19th, 2021, Guangzhou Futures Exchange was established and became the fifth futures exchange in China. Upon the establishment of the exchange, Guangzhou will produce a regional financial agglomeration effect with Guangzhou (regional financial centre) as the core, forming a Guangdong-Hong Kong-Macao financial circle with great radiation influence over China. This will benefit core GBA cities, including Hong Kong, Shenzhen and Guangzhou through forming strong linkage on financial services and increasing their capacities of attracting capitals. This will attract and drive more financial institutions and corporate headquarters to Guangzhou, thus producing a strong financial services cluster gathering effect. During the 14th Five-Year Plan (2021-2025), Guangzhou Futures Exchange will focus on the layout of the service in the direction of green industries, research on carbon emission rights, electricity, green energy-related commodities, and other varieties of futures and related services. It will also promote the construction of a green low-carbon economic system with market-based mechanisms.

The Outline proposed to promote the development of modern service industry. Guangzhou will implement the plan to cultivate Fortune Global 500 companies and China’s top 500 companies. The city will screen key enterprises with development advantages and potential, provide them preferential policies and exclusive services in terms of funds, projects, lands, talents with the aim to assist the enterprises to grow and expand. Guangzhou will also strengthen the promotion of the headquarters economy. It will attract more multinational companies, large national enterprises, private enterprises and domestic and foreign industry leaders to set up headquarters, regional headquarters, R & D centres, procurement centres, etc. in the city. The construction of high-end office buildings will be strengthened, and the development level of building headquarters economy will be advanced.

During the 14th Five-Year Plan, Guangzhou will further practice the “Guangju Talent Program (廣聚英才計劃)” for gathering talents widely. With reference to the China Overseas Talent Exchange Conference, and the China Innovation and Entrepreneurship Achievement Fair, Guangzhou is able to focus on key industries and introduce policies to foster and draw more strategic scientists and international first-class scientific and technological leaders, high-level talents, young talents and innovation teams to facilitate the high-quality development of various industries.

The 14th Five-Year Plan for the High-Quality Development of the Manufacturing Industry in Guangdong Province (《廣東省製造業高質量發展“十四五”規劃》) proposes that Guangdong Province will continue to strengthen strategic pillar industries, cultivate and expand strategic emerging industries from a high starting point, plan and develop future industries, and build a globally important manufacturing innovation gathering place. By 2025, the added value of the manufacturing industry will account for more than 30% of GDP, and the added value of high-tech manufacturing industry will account for 33% of the added value of industries above the scale.

1.4 Guangzhou Comprehensive Transportation

1.4.1 International Aviation Hub

Guangzhou vigorously promoted the construction of an international aviation hub. New Baiyun International Airport was put in use in 2004 and currently has 3 runways and 2 terminals. The route network has covered more than 230 destinations in the world, including more than 90 international and regional destinations, more than 300 routes, and around 80 Chinese and foreign airlines have operated there. In addition, the third phase expansion project of Baiyun Airport was approved by the National Development and Reform Commission on May 7th, 2020, and is expected to be substantially completed by 2025. Upon completion, it will form a “4-hour air traffic circle” (4小時航空交通圈) with major cities in China and Southeast Asia, and a “12-hour air traffic circle” (12小時航空交通圈) with major cities around the world.

In 2019, the passenger throughput of Guangzhou Baiyun International Airport was 73.39 million, with the ranking increasing from 17th to 11th in the world. In 2020, the passenger throughput of Guangzhou Baiyun Airport became the largest in the world, jumping to rank number 1 globally.

1.4.2 International Shipping Hub

Guangzhou Port is the fourth largest port in China, with the fifth largest throughput in the world and has a long history. It is one of the starting points of the “Maritime Silk Road” of ancient China. Since the reform and opening up, the rapid development of the social economy has rendered Guangzhou Port an important hub of the national comprehensive transportation system and an important port of foreign trade in South China. At present, Guangzhou Port has trade relations with more than 400 ports in more than 100 countries and regions in the world. Huangpu New Port and Xinsha Port are located in the east of Guangzhou and the estuary of the Pearl River, both of which are the largest container terminals in southern China. Lianhuashan Port, Nansha Port, Guangzhou

Development Zone Suigang Terminal and Zengcheng Xintang Port have opened passenger liners and cargo ships to and from Hong Kong, and Huadu District has opened cargo ships to and from Hong Kong. The inland river leads to other cities of Guangdong Province and Guangxi Province along the east, west and north river channels, and is connected with more than 100 rivers.

In 2020, the throughput of Guangzhou Port reached 636.43 million tons, increased by 1.5% from the previous year. Throughput of international trade cargo was 143.61 million, remaining the same as 2019. The total port container throughput was 23.51 million intermodal containers, increased by 12%.

1.4.3 Four National Railway Passenger Transport Centres

Guangzhou South Railway Station is one of the four major railway passenger transport centres planned by the Ministry of Railways. High-speed railway lines such as Wuhan-Guangzhou Railway, Guangzhou-Zhuhai Intercity Railway, Guangzhou-Shenzhen-Hong Kong Railway, Guiyang-Guangzhou Railway and Nanning-Guangzhou Railway have been put into operation successively, with passenger throughput ranking 1st among all the railway transport centres in the nation. In Guangzhou South Railway Station, passengers can take the high-speed rail to many provincial capital cities, municipalities and autonomous regions. Therefore, the railways ramified all over the country. The railway network will cover the whole nation and connecting Southeast Asia as well in the future.

1.4.4 Rail Transit

On December 20th, 2019, the Yuancun (Line 21) to Zhenlongxi (Line 21) section opened for operation. On December 28th, 2019, the Fenghuangxincun (Line 8) to Cultural Park (Line 8) section started operating. On November 26th, 2020, the north extended section from Jiaoxin (Line 8) to Cultural Park (Line 8) began to operate. After the opening, the operating mileage of Guangzhou Metro exceeded 500 kilometres, reaching 531 kilometres, ranking 3rd in the world, with the number of stations increased to 271. Currently, there are 11 lines under construction. It is estimated that by 2023, the mileage of the metro network will exceed 800 kilometres.

1.4.5 Transportation Infrastructure Development Planning

“City Master Plan of Guangzhou (2017-2035)” (《廣州市城市總體規劃(2017-2035年)》) proposes that Guangzhou will construct world-class airports, seaports and railway hubs in the future.

- The plan is to advance the planning and construction of the Nansha hub station and enhance the comprehensive transportation service capacity of Qingsheng Station. The government should promote the construction of high-speed traffic corridor between Nansha and the urban area of Guangzhou, Hong Kong International Airport, Shenzhen Baoan International Airport and Guangzhou South Railway Station to achieve direct access to major urban centres and major transportation hubs in the Greater Bay Area in 30 minutes.
- By 2035, the design of the annual throughput capacity of the Guangzhou aviation hub will reach 120-140 million passengers, and the transfer rate of international air passengers will exceed 35%.

- The annual cargo throughput of Guangzhou Port will reach 75,000 tons, and the annual container throughput will reach 36 million standard containers.
- The passenger traffic of the Guangzhou Railway Hub will exceed 397 million passengers and the freight volume will exceed 77 million tons.
- The city government plans to build an urban rail network of about 2,000 kilometres long.

1.5 Positioning of Guangzhou

1.5.1 Positioning

According to “City Master Plan of Guangzhou (2017-2035)” (《廣州市城市總體規劃(2017-2035)》), the mission of Guangzhou is to become “a beautiful and livable floral city as well as a dynamic international city”.

Guangzhou is defined as the provincial capital of Guangdong Province, an important national central city, a historical and cultural city, an international comprehensive transportation hub, a business centre, a communication centre, a technology industry innovation centre and a leading international city with Chinese style socialism.

By 2020, Guangzhou will become a high-quality, sustainable, as well as charming livable floral city with energy and vitality.

By 2035, Guangzhou will be built as a pioneer zone for socialist modernization and become a dynamic international city full of economic strength, scientific and technological strength, and livable level commensurate with that of other world-class cities.

By 2050, Guangzhou will be a leading international city with Chinese socialist characteristics, achieving high-level socialist modernization. The goal is to become a beautiful, peaceful and livable floral city that demonstrates the great advantages of the Chinese style socialism with wealth and civilization.

1.5.2 Scale

The Chinese government issued the “Notice on Adjusting the Standards for the Division of City Scale” (Guofa (2014) No. 51) (《關於調整城市規模劃分標準的通知》【國發(2014)51號】) in 2014, which stipulates that cities with an urban resident population of more than 10 million are considered megacities. Beijing, Shanghai, Guangzhou and Shenzhen all meet the standards of megacities.

“Master Plan of Land and Space of Guangzhou (2018-2035)” (《廣州市國土空間總體規劃(2018-2035年)》) proposes that by 2035 the permanent population in Guangzhou will be around 20 million. The infrastructure and public service facilities will be planned and allocated on the basis of about 25 million people.

Table 7: Guangzhou Population (million)

	2016	2017	2018	2019	2020	By 2035
Permanent Residents (million)	14.04	14.50	14.90	15.31	18.68	*20.00

**estimation only*

Source: Guangzhou Statistics Bureau, “Master Plan of Land and Space of Guangzhou (2018-2035)” (《廣州市國土空間總體規劃 (2018-2035年)》)

1.5.3 Urban Planning

➤ Overall

Firstly, the urban design should show the characteristics of the Lingnan landscape, excavate the regional cultural characteristics, and reflect its features of residing along mountains, rivers and the ocean. Secondly, taking the Pearl River as a linkage to show the ecological characteristics of how mountains and rivers are interconnected in Guangzhou. Thirdly, the international and modern metropolitan charm of Guangzhou will be highlighted with the command of a new central axis (12 kilometres from north to south).

➤ Urban and Rural Spatial Network System

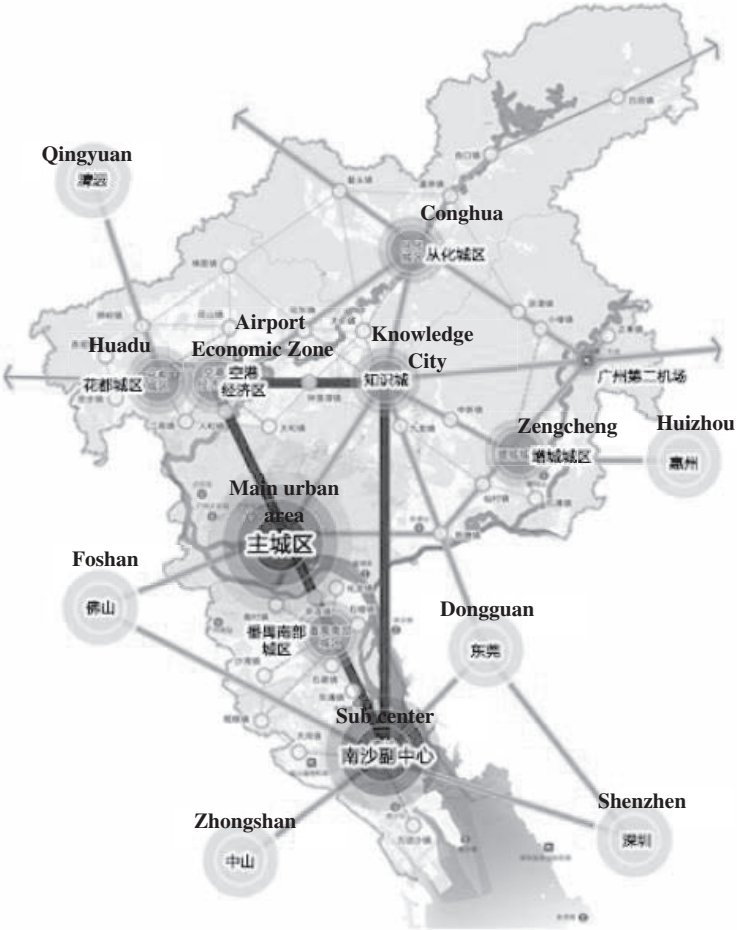
Main urban area — Liwan, Yuexiu, Tianhe and Haizhu, south of the North Second Ring Expressway in Baiyun District, south of Jiulong Town in Huangpu District, and north of Guangming Expressway in Panyu District. It is the core area that undertakes scientific and technological innovation, cultural exchanges and comprehensive service functions.

Sub urban — Nansha District. It is a Guangzhou sub-centre and a fully functional new coastal area, and an important gateway for Guangzhou to the GBA.

Outer city — Urban area of Huadu, Airport Economic Zone, Knowledge City, Southern Panyu District, urban areas of Conghua and Zengcheng. They are the main areas for providing housing and peripheral comprehensive services for the overpopulated main urban area.

New towns — Relatively self-contained rural areas with clusters of service and industries.

Rural area — An important carrier for rural residents to live concentratedly, develop rural industries, inherit and revitalize the traditional folk culture of Lingnan.



Source: Draft of “City Master Plan of Guangzhou (2017-2035)” (《廣州市城市總體規劃(2017-2035年)》草案公示)

1.6 Core Cities of the GBA

1.6.1 Overview

In March 2017, the Chinese Government announced that the Guangdong-Hong Kong-Macau Greater Bay Area is set to be a strategic plan, aimed at deepening the economic and urban integration among Hong Kong, Macau and 9 cities in Guangdong Province. In February 2019, the CPC Central Committee and the State Council released the ‘Development Plan for Guangdong-Hong Kong-Macau Greater Bay Area’ (《粵港澳大灣區發展規劃綱要》) (the “GBA Plan”). It is a framework document aiming to provide guidance on the current and future cooperation and development of the GBA. The GBA consists of the Hong Kong SAR, the Macao SAR, Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing. The total GBA area is 56,000 sq.km., which is 1.4 times of the aggregate of San Francisco and New York districts. Most cities in the GBA have competitive industries coverages and solid economic foundations, in which Shenzhen and Guangzhou are classified as First-Tier cities in the country together with Shanghai and Beijing. With the inclusion of the internationalized city — Hong Kong, the GBA will definitely become one of the most important gateways for China to connect to the world.

The GBA plan was built by having the existing industries coverage in each city to lead and drive such industry development in other cities, so as to achieve another exponential growth in the GBA. In order to increase the competitiveness and establish a modern industrial system, it is essential to enhance the overall capability in different aspects including advanced manufacturing, emerging industries and specialty financial industries. To better attract and connect to global innovation resources, high quality scientific and technological innovation carriers and platforms are required. Along with the development of transportation network and improvement of inter-city collaboration, competence of each city in the GBA will be enhanced significantly.

In 2020, the total economic aggregate of the GBA reached RMB11.5 trillion, in which Shenzhen, Guangzhou and Hong Kong played leading roles in terms of economic scale. The economic aggregate of the nine GBA cities in Guangdong was RMB9.0 trillion, accounting for about 8.8% of the PRC and 81% of Guangdong Province. The GDP growth rate was 3.1%, well above the national GDP growth rate of 2.3%.

1.6.2 Development Goals of the GBA

Strategic positioning: the GBA will become a world-class headquarter for emerging industries, advanced manufacturing and modern service industries, building up a world-class city cluster.

By 2022, the overall strength of the GBA will be significantly enhanced, and gradually form an international first-class bay area and a world-class urban agglomeration.

By 2035, an innovation based economic system and development model of the GBA will be formed, and a world-class bay area will be fully established.

1.6.3 City Positioning in the GBA



Table 8: Economic Data of Cities in the Greater Bay Area in 2020

	GDP (RMB Billion)	GDP Growth Rate	GDP per Capita (RMB Thousand)	Resident Population (Million)	Land Area (Sq Km)	Total retail sales of consumer goods (RMB Billion)	Growth Rate of Total retail sales of consumer goods	Urban Disposable Income Per Capita (RMB)	Growth Rate of Urban Disposable Income Per Capita
Shenzhen	2,767	3.10%	158	17.56	1,997	867	-5.20%	64,878	3.8%
Guangzhou	2,502	2.70%	134	18.68	7,434	922	-3.50%	68,304	5.00%
Hong Kong	2,338	-6.10%	313	7.47	1,107	290	-24.30%	—	—
Foshan	1,082	1.60%	114	9.50	3,798	329	-10.80%	56,245	4.10%
Dongguan	965	1.10%	92	10.47	2,460	374	6.60%	58,052	5.30%
Huizhou	422	1.50%	70	6.04	11,347	175	-9.30%	45,475	5.8%
Zhuhai	348	3.00%	143	2.44	1,736	92	-7.50%	55,936	6.6%
Jiangmen	320	2.20%	67	4.80	9,507	116	-3.70%	39,923	3.40%
Zhongshan	315	1.50%	71	4.42	1,784	141	-13.00%	54,737	4.30%
Zhaoqing	231	3.00%	56	4.11	14,891	106	4.10%	34,752	4.50%
Macao	168	-56.30%	246	0.68	33	39	-41.50%	—	—
Total	11,458	—	—	86.17	56,095	3,451	—	—	—

Note: The monetary units for the data of the Hong Kong SAR and the Macau SAR are in Hong Kong dollars and Macau pataca respectively. For statistical purposes, the exchange rate of 2020 was used for conversion: 1 Hong Kong dollar :1 RMB = 1 : 0.88954; 1 Macau Pataca :1 RMB = 1 : 0.86303.

Source: 1) *The Statistical Bulletin of National Economic and Social Development of 2020*; 2) *List of Hong Kong Statistics for the Edition of 2020* (《2020年版香港統計數字一覽》) (Statistics Office, Government of Hong Kong SAR); 3) *Macau Information of 2020* (《2020年澳門資料》) (Macau SAR Government Statistics and Census Bureau), 4) *the 7th National Census*

Being as one of the core cities in the development of GBA area together with Hong Kong, Macau and Shenzhen, Guangzhou is positioned as a national central and gateway city; besides, Guangzhou is also an advanced international trade centre, a comprehensive transportation hub and an important centre for science, technology, education and culture development.

Currently, Guangzhou has achieved remarkable results in promoting the development of the GBA, including:

➤ Promoting collaborative innovation

Promoted the construction of the science and technology innovation corridor connecting Guangzhou, Shenzhen, Hong Kong and Macao; built the Guangzhou pilot zones of artificial intelligence and digital economy, including Nansha Science City, the Sino-Singapore Guangzhou Knowledge City and Guangzhou Science City; jointly built 33 science and technology innovation cooperation platforms in Hong Kong and Macao; and supported a total of 177 collaboration projects.

➤ Accelerating the development of transportation

Implemented the 144-hour visa-free transit policy at the Baiyun International Airport; advanced the construction of the fourth and fifth runways, and Terminal 3; accelerated the construction of the GBA one-hour transport circle, as well as the 30-min transport circle between Nansha District and its surrounding cities; opened 24-hour customs clearance at ports including the Nansha Port and Huangpu Port throughout the year.

➤ Deepening industrial cooperation

Built the demonstration area in Nansha for Guangdong-Hong Kong-Macau's comprehensive collaboration; built a high standard Sino-Singapore Guangzhou Knowledge City; jointly created the Guangdong-Hong Kong special collaborative zone for intelligent manufacturing and Guangdong-Hong Kong scientific collaboration park; speeded up the aggregation of new display, integrated circuits, intelligent network-connected vehicles, rail transportation, biomedical and other industrial resources.

➤ Strengthening people-to-people collaboration

Commenced the construction of six international skilled talents training bases with Hong Kong; commenced the construction of Hong Kong University of Science and Technology (Guangzhou); successfully advanced the GBA "Food Basket" project, of which the information platform has officially launched, and signed cooperation framework agreements with 87 cities from 16 provinces (autonomous regions and direct-administered municipalities).

1.6.4 Development Opportunities of GBA

Each city in the GBA has its own distinct advantages. Hong Kong is specialized in financial industry, shipping industry and import and export trade. Shenzhen has its irreplaceable strength in innovation like the Silicon Valley. Other cities such as Dongguan, Foshan, Huizhou, have their intelligent manufacturing education and cultural industries coverage. With such advantages, it is believed that the GBA will have a sustainable and healthy development. Along the development of GBA, three major metropolitan areas are expected to be formed: the Hong Kong-Shenzhen area focusing on modern service industry, financial industry and innovation technology, the Macau-Zhuhai area focusing on tourism, green economy and modern manufacturing industries, and the Guangzhou-Foshan-Zhaoqing area focusing on modern manufacturing industries and business service industry.

➤ Financial Services

According to the 'Opinions on Financial Support for the Construction of the GBA' (《關於金融支持粵港澳大灣區建設的意見》) released on May 15th, 2020, there are five major measures to develop the GBA, including facilitating cross-border trade, investment and financing in the GBA, further opening up the financial industry to the world, promoting the interconnection of financial markets and financial infrastructure, enhancing the level of innovation in financial services in the GBA, and effectively mitigating cross-border financial risk.

The 2021 *Guangzhou Municipal Government Work Report* states that Guangzhou will strive to improve its financial resource allocation capacity. During the 14th Five-Year Plan (2021-2025), the government will support the opening and operation of the Guangzhou Futures Exchange, promote the settlement of international commercial banks in the GBA, study to establish a Hong Kong-Macao insurance service centre, ameliorate the green financial cooperation mechanism in the Greater Bay Area, and build a platform for the trading and financial services of environmental rights and interests. Guangzhou will also vigorously develop science and innovation finance, green finance, inclusive finance, digital finance, and supply chain finance, and promote the deep integration of industry and finance. The city targets to increase at least 20 listing companies. The implementation of the various plans will bring a sustainable growth momentum to Guangzhou's financial services industry, attract financial institutions from Hong Kong and Macau to move in, and bring new demand for Guangzhou's Grade A office market.

➤ Strategic Emerging Industries

The industrial layout of the GBA is well-balanced with Hong Kong, Macau and the Pearl River Delta having their own specialized industries with expertise knowledge. A strategic structure is formed, which consist of advanced manufacturing and modern service industries acting as the base, and emerging industries to be the new momentum.

The “Development Plan” clearly states that the GBA will rely on the strength of scientific research resources and the solid foundation in the high-tech industries in Hong Kong, Macau, Guangzhou, Shenzhen and other core cities to cultivate strategic emerging industries. The Greater Bay Area will strengthen its industrial connections across cities like Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing with a well-developed industrial chain and improve collaboration in development from the strong R&D capabilities in Hong Kong, Macau, Guangzhou and Shenzhen in which most of the operation headquarters are located.

➤ Cross-border E-commerce

With the pandemic came under effective control in China, import and export trade gradually recovered in the second and third quarters of 2020. Cross-border e-commerce imports and exports particularly grew against the main trend. In the first three quarters of 2020, Guangdong's cross-border e-commerce imports and exports increased by 22.1% to RMB89.43 billion, accounting for 47.7% of the national value of cross-border e-commerce (RMB187.39 billion). With the advantages of online transactions, no-contact delivery, and short transaction chains, cross-border e-commerce plays an active role for foreign trade enterprises to cope with the impact of the COVID-19 pandemic. Cross-border e-commerce integrated pilot zone was approved to be established in Guangzhou, Shenzhen, Zhuhai, Dongguan, Shantou and Foshan.

Hong Kong is a key hub connecting many overseas countries to China, with Guangzhou and Shenzhen being the earliest cities to be included as the trial cities for the cross-border e-commerce pilot scheme, enjoying policy privileges. Meanwhile, Dongguan and Foshan — relying on their

manufacturing competitiveness — achieved rapid development in cross-border e-commerce. In the future, local governments will continue optimizing customs clearance in goods while building supporting e-commerce infrastructure, facilitating the development of cross-border e-commerce enterprises.

➤ Shipping

The GBA enjoys an advantageous geographic location; it lies along the coast and rivers, and is rich in port resources. Major ports include Guangzhou Port, Shenzhen Port, Hong Kong Port, Zhuhai Port, and so on. The cluster of Guangdong-Hong Kong-Macau ports is currently the one with the largest port throughput and deepest ports in the world. Its throughput is ranked 1st in the world.

The GBA region will build world-class port clusters and airport clusters, as well as modern highways, railways, and urban rail transit networks — in short, a complementary structure aggregating highly efficient ports, shipping, logistics facilities and shipping service that enhances the port cluster’s international competitiveness. At the same time, synergy from the “Belt and Road” (一帶一路) and strategic development in the GBA region will also further promote the development of the shipping industry in the area.

➤ Real Estate

With the upgrading of the industrial structure, the improvement of the transportation network, and the convergence of population in the Guangdong-Hong Kong-Macao Greater Bay Area, the area is expected to provide support for the sustainable and healthy development of the real estate property market.

The upgrading of industrial structure will also bring new investment opportunities for industrial real estate, logistics real estate, urban renewal, and other real estate sectors, driving up real estate value and housing demand. Governments deepening investments in transportation infrastructure and the formation of the GBA “one-hour life circle (一小時生活圈)” would also support real estate development in the area.

➤ Tourism

With the completion of large-scale infrastructures such as the Hong Kong-Zhuhai-Macau Bridge and the Guangzhou-Shenzhen-Hong Kong High-Speed Rail Link, the transportation network in the Greater Bay Area has gradually improved, and a ‘one-hour tourist circle’ (一小時旅遊圈) has been formed. Each city in the Greater Bay Area has many excellent natural and cultural tourism resources. In the past, most cities independently integrated tourism resources and expanded their own tourism markets. Although there are mild integration of tourism resources and products among cities, the scope is relatively small.

In the future, Hong Kong will become a hub of international urban tourism and the primary demonstration of ‘one-way multi-stop’ (一程多站). Macau will establish the Cooperation Alliance of Urban Tourism of Greater Bay Area and build a world-class tourism and leisure centre. Domestic and international tourism in the Greater Bay Area will be more diversified and efficient.

1.6.5 The World's Four Largest Bay Areas

The four largest bay areas in the world include the San Francisco Bay Area in the United States, the New York Bay Area in the United States, the Tokyo Bay Area in Japan and the GBA.



The GBA is a “new emerging bay area” that is large scale, full of vitality, and constantly improving in competitiveness. It spans across an extensively huge area and has a large population, including 9 cities in Guangdong Province and 2 special administrative regions (Hong Kong and Macau). The regional land area is 56,100 sq.km., with a population of more than 70 million, far ahead of other bay areas.

The economy has the scale of a world-class bay area. The total GDP in 2018 was USD1.68 trillion, surpassing the San Francisco Bay Area (total GDP of USD0.76 trillion in 2018). However, when compared with the Tokyo Bay Area (total GDP of USD1.80 trillion in 2018) and the New York Bay Area (total GDP of USD1.77 trillion in 2018), there is still some gap. Nonetheless, the GBA’s passenger and logistics flow are far ahead of all other bay areas. Especially In terms of port container throughput (port container throughput of 66 million TEUs in 2018), the GBA exceeded the aggregate of the other three bay areas.

However, the GDP per capita of the GBA reached only USD23,200 in 2018, still far below the world-class bay areas. The GDP per capita of the Tokyo Bay Area is about twice that of the GBA. The GDP per capita of the New York Bay Area is close to 3.8 times that of the GBA. The GDP per capita of the San Francisco Bay Area is 4.3 times that of the GBA.

The GBA has broad development prospects. In terms of economic growth, the GBA (GDP growth rate reached 5.9% in 2018) is basically the same as the San Francisco Bay Area, ahead of the New York Bay Area and Tokyo Bay Area, and is one of the most dynamic bay areas in the world with substantial potential.

The “Report on the Impact of the Four Bay Areas (2018): New York, San Francisco, Tokyo, Guangdong, Hong Kong and Macau” (《四大灣區影響力報告(2018)：紐約•舊金山•東京•粵港澳》) jointly released by the Institute of Economic Strategy of Chinese Academy of Social Science and Dr. Sun Yat-Sen Institute analysed the status and future potential of the four bay areas from six aspects: comprehensive influence, economic influence, innovation influence, cultural influence, livability influence and reputational image influence.

The report shows that the overall impact index of the GBA ranks 3rd, behind the San Francisco Bay Area and the New York Bay Area, but higher than the Tokyo Bay Area. Among the five secondary indicators of the Bay Area Influence Index, the economic impact of the GBA ranks 1st among the four bay areas, and its livability influence ranks 4th. Its innovation influence and reputational image influence rank 2nd, and the cultural influence ranks 3rd.

Table 9: Score and Rank of the Overall Impact Index of the Four Bay Areas

Bay Area	San Francisco Bay Area	New York Bay Area	GBA	Tokyo Bay Area
Comprehensive Influence	0.563	0.527	0.466	0.325
<i>Rank</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
Economic Influence	0.409	0.423	0.634	0.312
<i>Rank</i>	<i>4</i>	<i>2</i>	<i>1</i>	<i>3</i>
Innovation Influence	0.506	0.358	0.494	0.451
<i>Rank</i>	<i>1</i>	<i>4</i>	<i>2</i>	<i>3</i>
Cultural Influence	0.432	0.816	0.291	0.255
<i>Rank</i>	<i>2</i>	<i>1</i>	<i>3</i>	<i>4</i>
Livability Influence	0.614	0.543	0.297	0.407
<i>Rank</i>	<i>1</i>	<i>2</i>	<i>4</i>	<i>3</i>
Reputational Image Influence	0.853	0.494	0.615	0.1
<i>Rank</i>	<i>1</i>	<i>3</i>	<i>2</i>	<i>4</i>

Source: “Report on the Impact of the Four Bay Areas (2018): New York, San Francisco, Tokyo, Guangdong, Hong Kong and Macau”

With the introduction of the Development Plan, the GBA will play a greater role in the synergy of industry and economy in the future, and its economic status in the domestic and international realms are expected to be further improved.

1.7 Macro Overview of Tianhe District

1.7.1 Location



The eastern region of the Tianhe District consists of Jishan, Shishan and Qianjin Shenchong, bordering Luogang District and Huangpu District on the east. The southern region is the Pearl River, bordering Haizhu District on the south. The western region is Guangzhou Avenue, bordering Yuexiu District on the west. The northern region is Shaojiwo, bordering Baiyun District on the north.

The administrative area of Tianhe District is 96.33 sq.km.. The result of the 2020 7th National Census shows that the resident population of Tianhe was 2.24 million, and the urbanization rate was 100%.

1.7.2 Economic Overview

The GDP of Tianhe District increased by 2.7% from the previous year, achieving RMB531.3 billion in 2020. During the 13th Five-Year Plan (2016-2020), Tianhe's economic strength continued growing, reaching the current level from RMB343.3 billion in 2015 to RMB531.3 billion. The district's GDP ranked 1st in Guangzhou for 14 consecutive years. Entering the 14th Five-Year Plan (2021-2025), Tianhe's GDP is expected to reach RMB700 billion by 2025, with an average annual growth rate of 6%.

1.7.3 Development Positioning

Functional positioning: Led by a headquarter economy, Tianhe District is expected to do well in four leading industries (financial industry, new generation of information technology, modern commerce and business services), and accelerate the development of several emerging industries (cultural creativity, bioengineering, health services, energy conservation and environmental protection services, cross-border e-commerce, general integration, general contracting, smart equipment and robotics R&D and design). The aim is to initially build a core area for modern service, a leading area for innovation and creativity, a model for ecological livable area, and a demonstrative area for happiness sharing.

Key of development: the government builds an industrial layout of “one core cluster” (一核集聚) in Tianhe Central Business District, “Drive of Dual City” (雙城驅動) of Guangzhou International Financial Town and Tianhe Smart City, and “Double Belt Linkage Drive” (雙帶聯動) of Innovation Belt and Creative Belt. The starting area of the Guangzhou International Financial Town has been largely completed, and significant progress has been made in the modern industry and infrastructure construction of the Tianhe Smart City.

1.7.4 Tianhe Central Business District

Tianhe Central Business District (“Tianhe CBD”) is located at the intersection of the central axis of Guangzhou and the golden shoreline of the Pearl River. It is one of the three national central business districts approved by the State Council (the other two are Beijing CBD and Shanghai Lujiazui CBD). Tianhe CBD mainly serves the Pearl River Delta Economic Circle. It is the largest CBD in southern China, the only member of the Alliance of Global Business District in southern China, a demonstration base for service trade liberalization in Guangdong, Hong Kong and Macau. It has become the economy headquarter of south China, with high concentration in high-end industries such as finance, technology and business. It mainly includes Tianhebei Business District, The Zhujiang New Town (“ZJNT”) Financial Business District and Guangzhou International Financial Town. The planned total area is 20 sq.km. out of which 12 sq.km. has been largely completed.

The Institute of Urban Development and Environment of the Chinese Academy of Social Sciences, the China Business District Alliance and the Social Sciences Document Publishing House jointly released the “Blue Book of Business Central District: Development Report No. 6 of Business Central District in China (2020)” (《商務中心區藍皮書：中國商務中心區發展報告No.6(2020)》). The total GDP of China’s CBD showed an obvious hierarchy in 2019. The top echelons are Guangzhou Tianhe CBD, Shenzhen Futian CBD and Beijing CBD, each with a total GDP exceeding RMB170 billion. Among them, the total GDP of Guangzhou Tianhe CBD reached RMB332.8 billion, ranked 1st among CBDs nationwide.

“Blue Book of Business Central District: Development Report No. 6 of Business Central District in China (2020)” (《商務中心區藍皮書：中國商務中心區發展報告No.6(2020)》) mentioned that by the end of 2019, a total of 204 of the Fortune Global 500 companies have settled in Tianhe CBD, more than Beijing CBD (170) and Shenzhen Futian CBD (98), ranking 2nd, following Shanghai Lujiazui CBD (340). This shows that Tianhe CBD has a strong attraction towards foreign companies. At the same time, the number of buildings paying more than RMB100 million of taxes in Tianhe CBD is 71, more than that of Shenzhen Futian CBD (65 buildings) and Hangzhou Wulin CBD (55 buildings), ranking 2nd, following Shanghai Lujiazui CBD (102).

2. Overview of Grade A Office Market

2.1 Guangzhou Grade A Office Market

2.1.1 Definition of Grade A Office Building

By considering indicators of location, accessibility, scale, facilities, electromechanical devices, floor load, ownership status, property management and other indicators, Cushman & Wakefield is of the opinion that quality office buildings can be categorized into three classes, namely International Grade A office building, Grade A office building and Grade A- office building. Yuexiu Financial Tower is categorized as an International Grade A office building. As portion of the Grade A- office building has been sold to individual owners and the property condition is inferior in terms of leasing, maintenance and operation, the following research of ‘Grade A office building’ is referred to the International Grade A office building and Grade A office building.

Table 10: Definition on Grade of Office Buildings

Technical Parameters	International Grade A Office Building	Grade A Office Building	Grade A- Office Building
Location	Located in the relatively concentrated core area of the business district, with complete surrounding facilities	Located in the relatively concentrated area of the business district or the municipal government planned business district	Located in the main commercial office area of the city
Area	Convenient transportation, developed surrounding transportation network, approximate to planned railway’s entry and exit	Convenient transportation and developed surrounding transportation network	Convenient transportation and developed surrounding transportation network
Visibility	Very High	High	High

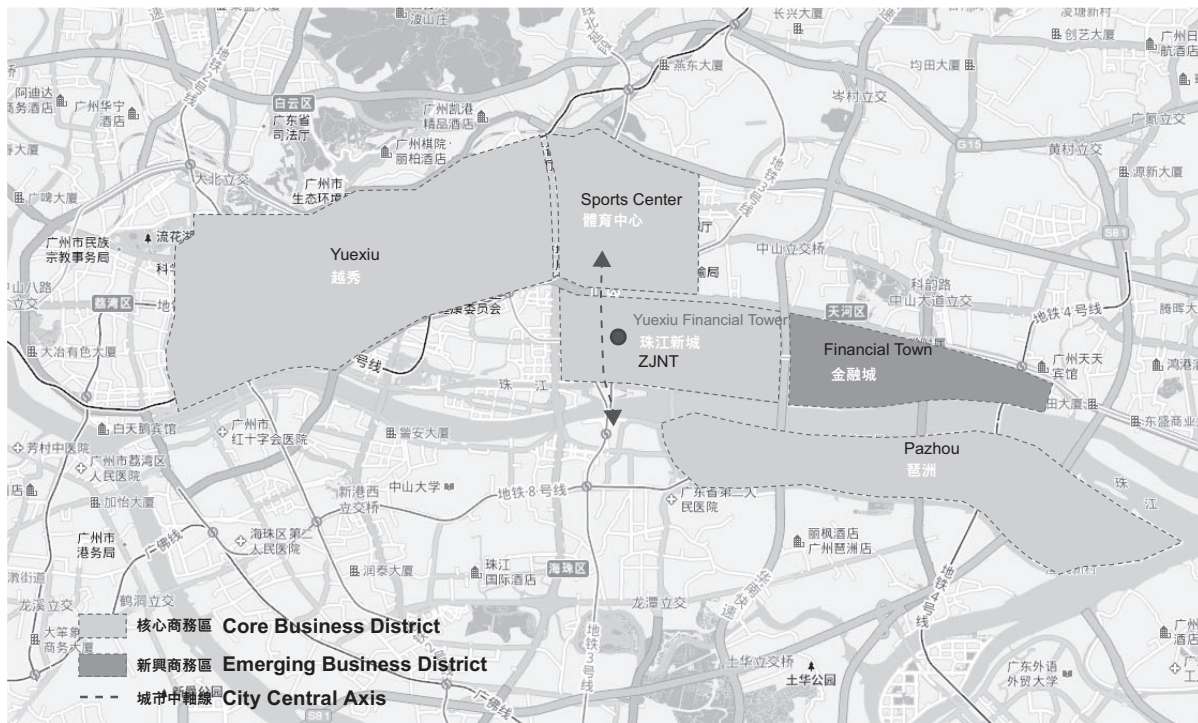
Technical Parameters		International Grade A Office Building	Grade A Office Building	Grade A- Office Building
	GFA	> 50,000 sq.m.	> 40,000 sq.m.	> 40,000 sq.m.
Scale	Service area per parking space	120 sq.m.	<150 sq.m.	<200 sq.m.
	Floor Area	> 2,000 sq.m.	> 1,500 sq.m.	> 1,200 sq.m.
<hr/>				
Facilities	Headroom	> 3 m	> 2.7 m	> 2.5 m
	Height of Raised Floor	≥ 15 cm	≥ 10 cm	≥ 10 cm
	Passenger Elevator	Service area per elevator ≤4,500 sq.m. Waiting time ≤30 s	Service area per elevator ≤5,000 sq.m. Waiting time ≤40 s	Service area per elevator ≤5,000 sq.m. Waiting time ≤40 s
	Freight Elevator	Passenger and cargo separation; At least 2	Passenger and cargo separation; At least 1	Passenger and cargo separation; At least 1
	Air Conditioning	High-quality host, 4-pipe + 2-pipe room air conditioner; Fresh air volume≥40 m ³ /person/h	High-quality host, 4-pipe + 2-pipe room air conditioner; Fresh air volume≥40 m ³ /person/h	High-quality host, 4-pipe + 2-pipe room air conditioner; Fresh air volume≥30 m ³ /person/h
	Toilet	High-end decoration, quality facilities and configuration, equipped with accessible toilet	High-end decoration, quality facilities and configuration	High-end decoration, quality facilities and configuration
<hr/>				
Electro-mechanical Devices and Floor Load	Light current system	Advanced 5A system, property management software; All domestic communication network service providers can enter the building; 1 telephone line/12 sq.m.	Advanced 5A system, property management software; All domestic communication network service providers can enter the building; 1 telephone line/12 sq.m.	Advanced 5A system, property management software; All domestic communication network service providers can enter the building; 1 telephone line/20 sq.m.
	Floor Load	Live load for office working area ≥300 kg/sq.m.	Live load for office working area ≥250 kg/sq.m.	Live load for office working area ≥200 kg/sq.m.
Ownership Status		For lease only, single owner	For lease only, single owner	Single/multiple owner(s)
<hr/>				

Technical Parameters	International Grade A Office Building	Grade A Office Building	Grade A- Office Building
Property Management	High-quality property management services. Practical property management computer software to computerize office management. 24-hour security and maintenance services for office management information system.	High-quality property management services. Property management computer software. 24-hour security and maintenance services.	High-quality property management services. Property management computer software. 24-hour security and maintenance services.

2.1.2 Regional Distribution of Grade A Office Buildings in Guangzhou

ZJNT (珠江新城板塊), Sports Center (體育中心板塊), Pazhou (琶洲板塊) and Yuexiu (越秀板塊) constitute the core business districts of Guangzhou; therein, Pazhou has entered into a rapid development period in recent years with steadily increasing rent. Although Financial Town (金融城板塊) is another emerging business district, due to building height restriction in planning policy, its development status is below expectation. At this moment, there is no stock of Grade A office in Financial Town.

Picture 3: Distribution of Core Business Districts in Guangzhou



Source: Cushman & Wakefield

2.1.3 Analysis of Core Business Districts in Guangzhou

Well-developed core business districts in Guangzhou include ZJNT, Sports Center and Yuexiu. Meanwhile, Pazhou is in rapid development period.

Table 11: Characteristics of Core Business Districts in Guangzhou

	ZJNT	Sports Center	Yuexiu	Pazhou
Maturity	★★★★★	★★★★★	★★★★★	★★★★★
GFA of Grade A (thousand sq.m.)	3,086	963	388	1037
Main Tenant Industry	High-end financial industry/Professional service industry	Finance/ Professional Services	Professional Services/Trade	E-commerce/TMT industry
Q2 2021 Monthly Rental (RMB/sq.m.)	197	173	140	145
Representative Building	Guangzhou International Finance Center, Chow Tai Fook Financial Center, Guangsheng International Building, Universal Metropolis Plaza, Pearl River City Yuexiu Financial Tower	CITIC Plaza, TEEMALL, Taikoo Hui, Onelink International Center, Sunshine Plaza	Zhonghua International Center, Walter International Building, Lai Fung Center, Yide Center	Poly Sky Plaza, Poly Zhongyue Plaza, Poly International Plaza, Nanfenghui Guangzhou Newspaper Culture Center

Note: Rents quoted for Grade A office building (inclusive of VAT) as of Q2 2021.

Source: Cushman & Wakefield

➤ ZJNT

ZJNT is the core area of Guangzhou Tianhe CBD which is the most concentrated area of Guangzhou Grade A office buildings and the most concentrated area of super high-rise buildings over 300-metres in mainland China. After a development of 20 years, ZJNT has been well-developed in terms of business atmosphere, good municipal infrastructure and beautiful urban landscape. It is virtually a business card representing Guangzhou.

ZJNT is also a CBD that has gathered the Fortune Global 500 Companies and contributed substantially in the economy with Guangzhou as business headquarter. The global headquarters of three Fortune Global 500 companies (China Southern Power Grid, GAC Group, Cedar Holdings) are located in ZJNT and regional headquarters such as China Mobile, GM, and Procter & Gamble are also located here.

Moreover, ZJNT is a CBD abstracting the financial industry and high-end service industry in southern China. Guangzhou Bank, China Postal Savings Bank and Guangzhou Rural Commercial Bank have set up their national headquarters in ZJNT. Meanwhile, China Development Bank, Agricultural Bank of China and Bank of Communications have set up their headquarters of Guangdong Province in ZJNT. Besides, a number of commercial banks, securities and accounting firms have also located their regional headquarters in ZJNT.

In the next few years, ZJNT will be the first choice for financial companies and high-end service companies in the leasing market. Compared with other districts, ZJNT will have the best lease performance.

➤ Pazhou

Pazhou is located in the Haizhu District, on the opposite side of Pearl River against ZJNT. It is positioned as an international first-class internet innovation gathering area. The regional functions are dominated by convention and exhibition, international business, information exchange, high-tech research, tourism services, as well as high-quality residential functions. In the early stage, Tencent, Xiaomi, Vipshop and other Internet companies were introduced to settle in this area, and Pazhou is now entering a stage of rapid development.

➤ Sports Center

Sports Center is located in Tianhe CBD in Guangzhou. It is composed of Grade A office buildings along Tianhe Road and Tianhe North Road. It is a business district developed in the 1990s. CITIC Plaza, TEEMALL, Taikoo Hui and other international Grade A office buildings are among the representatives.

The business district in Sports Center is well-developed. The famous Tianhe Road shopping district is located within the area. Tianhe Road shopping district is the first shopping district in China with annual retail sales of over RMB1 trillion.

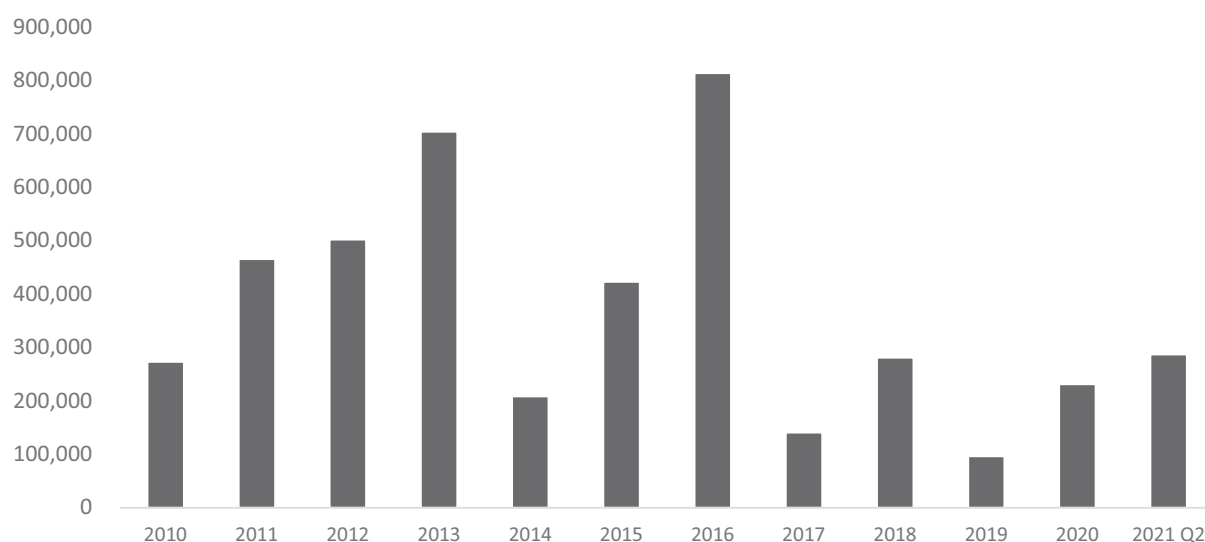
➤ Yuexiu

Yuexiu is the earliest traditional business district in Guangzhou. It is located in the older part of Guangzhou and consists of several Grade A office buildings scattered in the area. The buildings mainly locate in Huanshi Middle Road, Dongfeng Middle Road, and Zhongshan No.3 Road. Zhonghua International Center, Guangdong Telecom Plaza, Walter International Building and other international Grade A office buildings are the representatives of them.

2.1.4 Stock and Supply of Grade A Office Space in Guangzhou

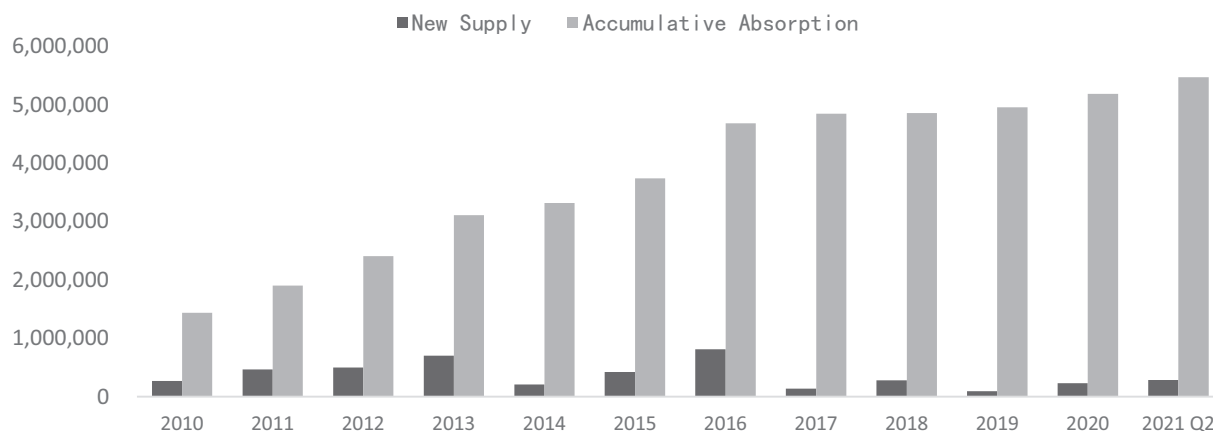
As of Q2 2021, the total Grade A office stock in Guangzhou was 5,473,000 sq.m. of which 1,986,000 sq.m. was supplied between 2015-2020. Besides, the aggregate new supply entered into market in 2015 and 2016 amounting to 1,237,000 sq.m., representing 63.8% of the total new supply in the past six years.

Table 12: Supply of Grade A Office, as of Q2 2021 (sq.m.)



Source: Cushman & Wakefield

Table 13: Cumulative Supply of Grade A Office Space as of Q2 2021 (sq.m.)

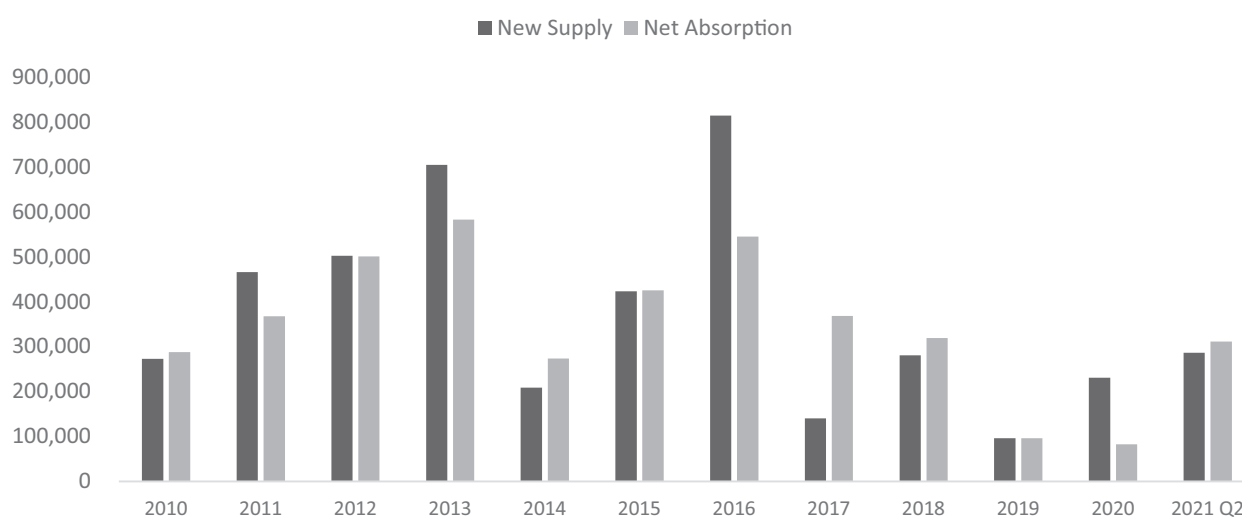


Source: Cushman & Wakefield

2.1.5 Net Absorption, Vacancy Rate and Rents of Guangzhou

2015-2018 mainly absorbed the new supply from 2015-2016, with an average annual net absorption of about 414,000 sq.m., with active transactions. New supply and net absorption in 2019 were at the same level of 96,000 sq.m. In 2020, the office building market was depressed in the first and second quarters due to the impact of the COVID-19 epidemic, and gradually recovered in the third and fourth quarters, with an annual net absorption of about 83,000 sq.m. In the first and second quarters of 2021, economy of Guangzhou continues to recover steadily. So does the rental market of the Grade A office building. The half-year net absorption was approximately 311,000 sq.m. with active transactions.

Table 14: Net Absorption of Grade A Office as of Q2 2021 (sq.m.)

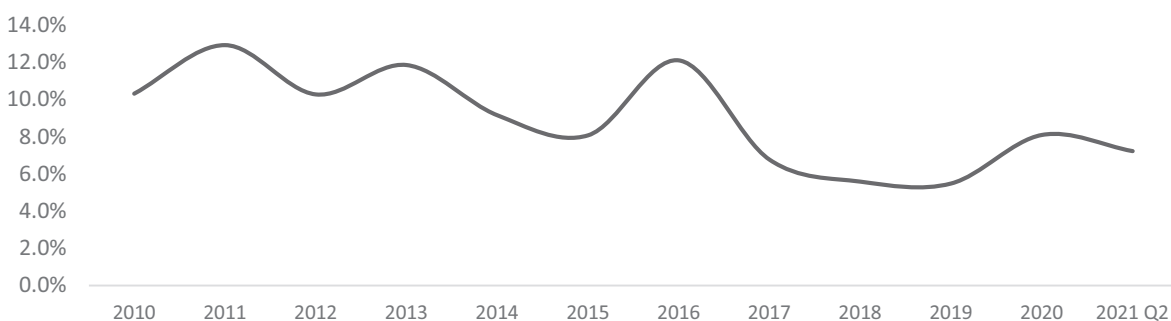


Source: Cushman & Wakefield

New supply reached the peak in 2016. As a result, the vacancy rate was recorded as high as 12.1% in Q4 2016. Benefited by the strong demand in 2017 with an absorption volume of approximately 368,000 sq.m., the vacancy rate reduced to 6.8% immediately. With the slowdown in new supply from 2017 to 2018, the vacancy rate gradually declined and remained at around 5.5% from Q4 2019 to Q1 2020. The vacancy rate was raised to 8.1% in 2020 due to the dual impact of the COVID-19 pandemic and new supply coming to market. In Q2 2021, it has dropped down to 7.2%.

With the benefit of superimposed effect in both high-quality urban development and the continuous deepening of business environment reform, Guangzhou has seen the lowest vacancy rate among the four major First-Tier cities in China. In the Q2 of 2021, Guangzhou's Grade A office vacancy rate was 7.2%, lower than Beijing's 17.5%, Shanghai's 18.8% and Shenzhen's 22.3%.

Table 15: Vacancy Rate of Grade A Office, as of Q2 2021 (%)



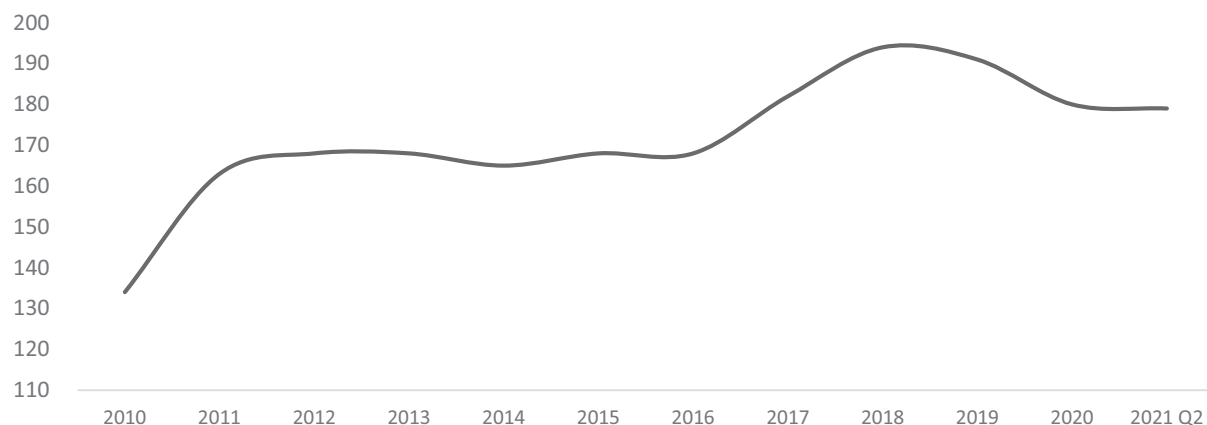
Source: Cushman & Wakefield

It should be noted that all rents quoted in this report are inclusive of tax.

Thanks to continued demand of office space, Grade A office rent has enjoyed steady increase since 2010. The monthly unit rent increased from RMB134/sq.m. in 2010 to RMB180/sq.m. in 2020, representing a CAGR of 3%.

Grade A office rents in First-Tier cities generally declined in 2020 due to the impact of the COVID-19 pandemic. Grade A office rents in Guangzhou were RMB180/sq.m./month in the Q4 of 2020, a decline of 5.4%, the smallest decline compared to other First-Tier cities in China. Property owners are generally more flexible in rental pricing and commission incentives to reduce project vacancy rates, hence triggered the decline in rental levels. Rents of Grade A office in Guangzhou in Q1 and Q2 2021 were approximately RMB179/sq.m./month, which was about the same as Q4 2020.

ZJNT and Sports Center belong to Tianhe CBD and thus the rental levels are higher than Yuexiu and Pazhou. Being the core business district of Guangzhou, 60% of Grade A office are located in ZJNT. As of Q2 of 2021, the average monthly rent of Grade A office in ZJNT was RMB197/sq.m.. Due to its substantial portion of supply, the rental movement of ZJNT Grade A office will likely have a direct impact in the same direction to the citywide unit rent. As of Q2 of 2021, the average monthly rents in Sports Center and Yuexiu was RMB173/sq.m. and RMB140/sq.m. respectively. New supply of Grade A office is mainly from Pazhou. With benefit of industry introduction and urban planning, the rental level increased significantly in Pazhou in recent years. However, it is still a long way to develop its business atmosphere. As of Q2 of 2021, the average monthly rent of Grade A office in Pazhou was RMB145/sq.m..

Table 16: Overall Grade A Office Rent, as of Q2 2021 (RMB/sq.m./month)

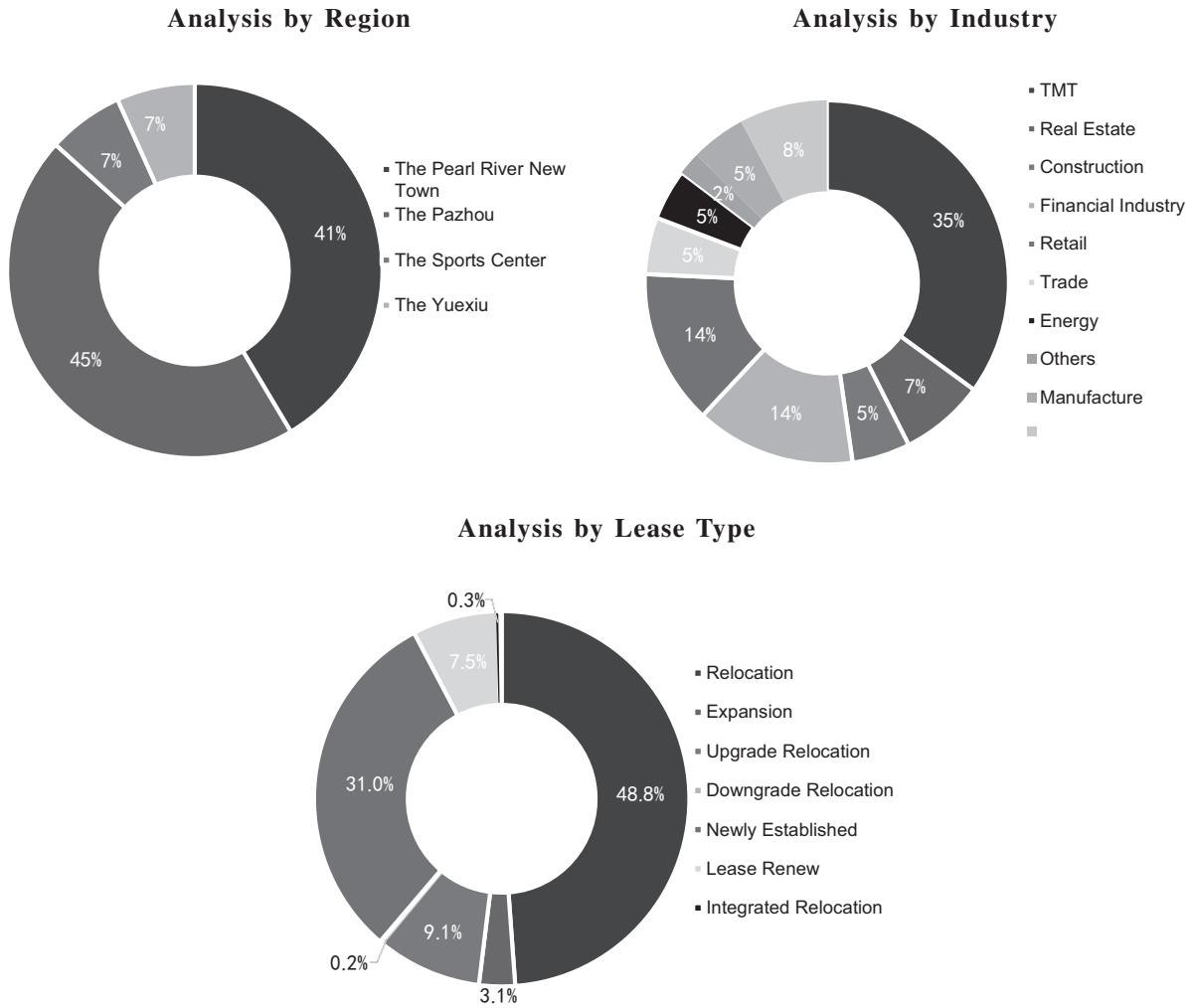
Source: Cushman & Wakefield

2.1.6 Demand Analysis of Grade A Office Tenants in Guangzhou

ZJNT, the core area of Tianhe CBD, is the prime area to attract tenants. With the benefit of continuous investment and new projects, Pazhou has been a popular alternative to many well-known TMT companies.

TMT, finance industry and professional services companies are the main tenants of Grade A office in Guangzhou. Planned by the Guangzhou Government, ZJNT focuses on financial and professional services, while Pazhou focuses on e-commerce and TMT industries. To promote the development of upstream and downstream supporting industries of the internet industry, Pazhou targets to attract well-known internet companies, such as Tencent, Xiaomi, Vipshop.

Table 17: Demand Analysis of Grade A Office Space in Q1 and Q2 2021



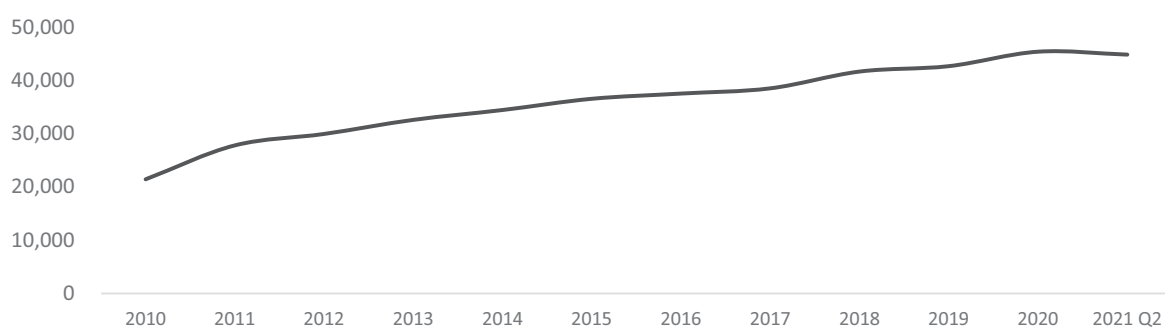
Note: Relocation refers to the relocation between buildings of the same grade; upgrade relocation refers to the relocation from buildings of lower grades to higher grades.

Source: Cushman & Wakefield

2.1.7 Capital Value of Grade A Office Building

The capital market of Guangzhou Grade A office has kept booming since 2010. Grade A office price has jumped rapidly. The capital value of Grade A office surged over two times from RMB21,443 per sq.m. in 2010 to RMB45,390 per sq.m. in 2020, a CAGR of 8.0%, higher than the rate of rental growth. In Q2 2021, the capital value of Grade A office slightly went down to RMB44,841 per sq.m..

Table 18: Capital Value of Grade A Office, as of Q2 2021 (RMB/sq.m.)



Note: The capital value is the price per square-metre of the whole office transaction.

Source: Cushman & Wakefield

2.1.8 Strata-title Transaction and Analysis

The main motivation to invest in Guangzhou Grade A office include convenient transportation system, future industrial planning (IAB industry, NEM industry), the positioning of a digital economy innovation-led city, talent support policies as well as attraction to Fortune Global 500 Companies.

Major strata-title transactions of Grade A office took place in 2014-2016. It was also the peak period of new supply. Along with the exhaustion of new supply in ZJNT, more and more high-volume transactions occurred in Pazhou and Financial Town. Due to prime location and perfect business atmosphere of ZJNT, the transacted unit price of ZJNT is much higher than the transacted unit price of other areas.

Despite the impact of the COVID-19 pandemic on the market, the high-volume transaction in Guangzhou has been active in the Q4 of 2020, and investors' willingness has rebounded significantly, and the market is expected to continue to be active in the future. In addition, China as the economy that recovered faster from the pandemic, it is expected that foreign buyers will continue to be optimistic about the Chinese market and increase their investment as the impact of the pandemic gradually decreased. Guangzhou high-volume transaction in 2020 amounted to approximately RMB22.88 billion, representing a significant increase of 107% over the same period last year, the only city among the First-Tier cities with a counter-trend growth in turnover.

Guangzhou received four high-volume transactions in the Q1 of 2021, with a total transaction value of RMB2.59 billion, increased 7% from Q1 of 2020; decreased 32% from Q1 of 2019. The activity of the high-volume transaction market continued to increase, creating a good start for the year's transactions. In the perspective of investor types, overseas investment-oriented buyers started to return to the market, with total transaction value accounting for 61% of the quarter; domestic buyers' demand remained active, with three block transactions during the quarter coming from domestic corporate investors.

Table 19: Major Transactions of Grade A Office Buildings in Guangzhou from 2014 to Q1 2021

Project	District	Level	Transaction Date	Completion Date	GFA (sq.m.)	Transaction Price (RMB/sq.m.)
Kaihua International Center (All)	ZJNT	International Grade A	2014	2016	112,591	51,700
ZJNT Main Control International Center (Part)	ZJNT	Grade A	2014	2015	40,000	50,700
Tianan Life Center (All)	Sports Center	Grade A	2016	2017	30,227	40,000
Tianying Plaza (Part)	ZJNT	Grade A	2016	2016	25,000	48,000
Fosun Southern Headquarters-South Tower (All)	Pazhou	Grade A	2018	2021	107,363	39,500
TCL Building East Tower (All)	Pazhou	Grade A	2020	2021	41,329	52,000
Zhuguang Tancun (No.767 Huacheng Avenue) Office Building(All)	ZJNT	Grade A	2020	2019	48,528	61,500
Poly Yuzhugang (G5)	Financial Town District	Grade A	2021	2020	10,972	54,700

Source: Cushman & Wakefield

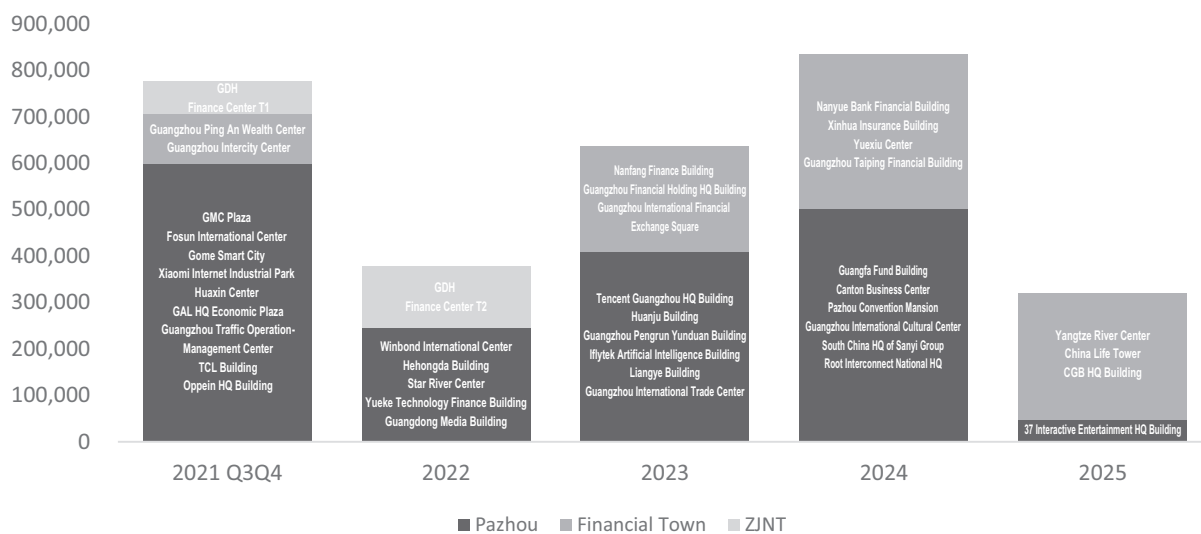
2.2 Analysis of Overall Future Market

2.2.1 Grade A Office Supply Forecast

Affected by the outbreak of COVID-19, construction progress and handover schedules of some projects have been postponed. It is estimated that from Q3 2021 to 2025, the market of Grade A office in Guangzhou will have approximately 2.946 million sq.m. new supply. The average annual increase will be about 542,000 sq.m. in 2022-2025. The future supply is mainly located in Pazhou and Financial Town. The new supply of Pazhou District will be approximately 1.803 million sq.m., constituting 61% of the total new supply in the coming 4 years.

In ZJNT, where the Tower is located, 2 new international Grade A office buildings will enter market in the next four years, which are GDH Finance Center T1 and T2. The total gross floor area of these two buildings is approximately 204,000 sq.m.. As the land resources of ZJNT is being exhausted, the new supply will dry up gradually. The rental and capital value of Grade A office in ZJNT will continue to rise due to scarce supply.

Table 20: Supply Forecast of Grade A Office (sq.m.)

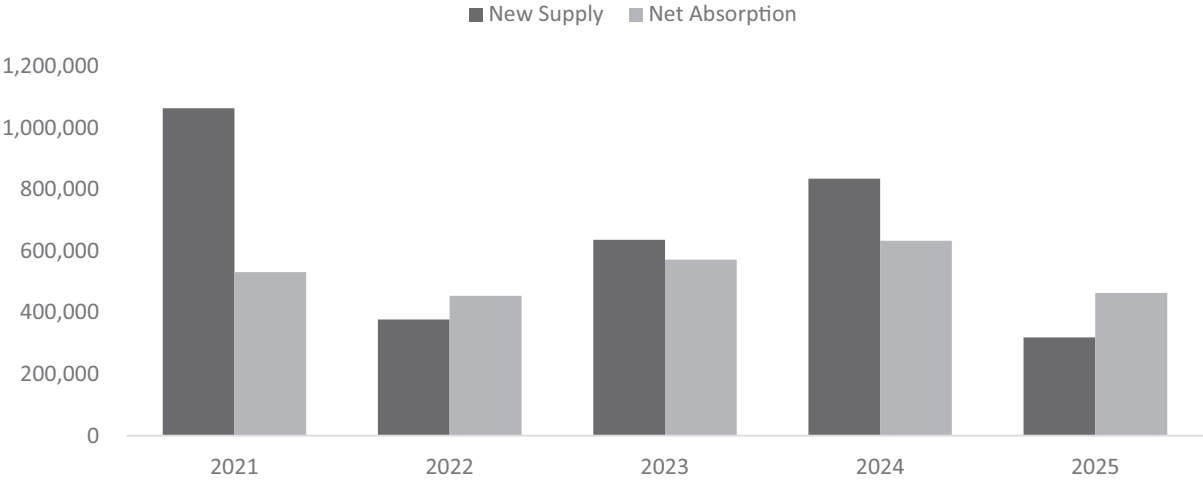


Source: Cushman & Wakefield

2.2.2 Forecast of Net Absorption

Due to various uncertainties such as the trade war and the COVID-19 pandemic, net absorption in 2020 was affected in short term. The office market has gradually recovered in the Q3 and Q4 of 2020 as the pandemic stabilizes and the economy recovers. It is expected to return to normal absorption level starting in 2022. We are of the opinion that the average annual net absorption of Guangzhou from 2021 to 2025 will be about 513,000 sq.m.. The main demand comes from three aspects. The first is the needs of upgrade and relocation for companies to improve their office environment. Some companies originally located in old buildings or Grade B buildings would like to relocate to other buildings. Second, some companies set up regional headquarters in Guangzhou. Third, the rapid development of Guangzhou’s tertiary industry has driven the growth of enterprises, thereby creating a demand for expansion for office space.

Table 21: Forecast of Net Absorption of Grade A Office, up to 2025 (sq.m.)

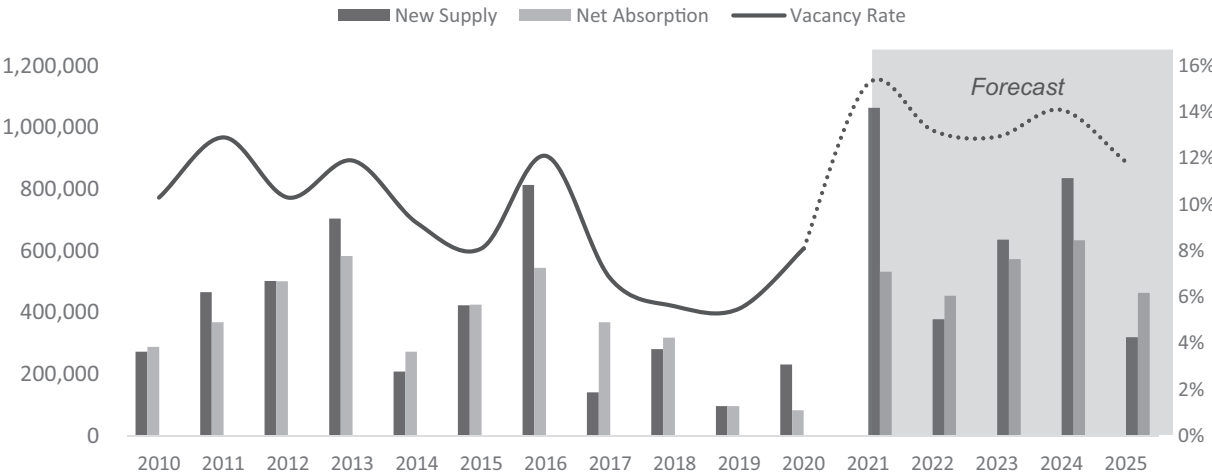


Source: Cushman & Wakefield

2.2.3 Forecast of Vacancy Rate and Rental

Affected by the short-term economic downturn brought about by the COVID-19 pandemic, the net absorption of Grade A office buildings in Guangzhou in 2020 was about 83,000 sq.m. and the vacancy rate increased to 8.1%. In the Q1 and Q2 of 2021, the market gradually recovered, with stronger leasing demand from TMT, financial and professional services enterprises. In 2021 and 2024, Guangzhou will face a period of large-scale concentrated supply, which would push up the overall vacancy rate in the short-term. The vacancy rate is forecasted to remain at 11%-15% in 2021-2025. With the construction of the Greater Bay Area and national policy support and the easing of the impact of the COVID-19 pandemic, Guangzhou’s industrial structure will gradually become clear, talents will flow in as usual, high-quality enterprises will continue to enter, market absorption will grow simultaneously and vacancy rate will fall back to a reasonable range.

Table 22: Forecast of Vacancy Rate of Grade A Office, up to 2025 (sq.m.)

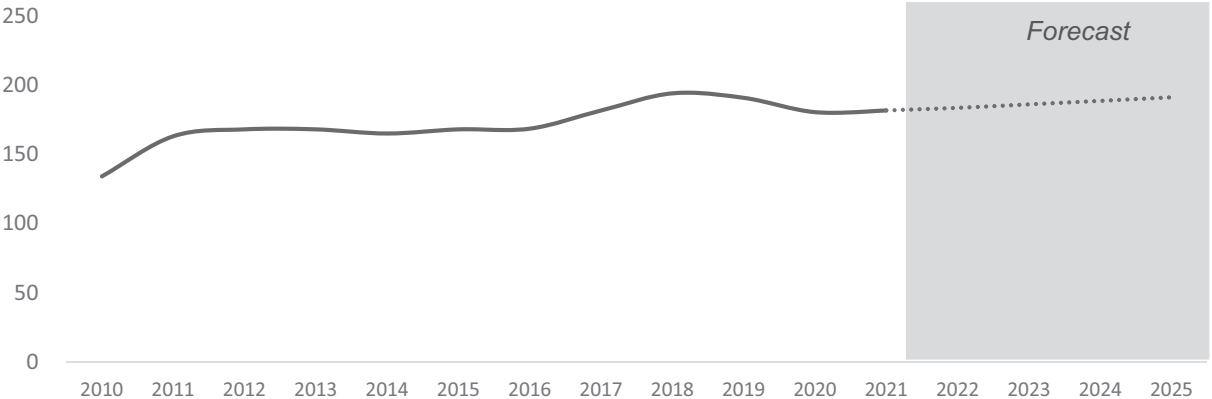


	2021	2022	2023	2024	2025
Forecast of Vacancy Rate of Grade A Office	15.2%	13.2%	12.9%	14.1%	11.8%

Source: Cushman & Wakefield

In 2020 and the first 2 quarters of 2021, property owners generally offer greater bargaining space to stimulate leasing market in response to market competition. However, overall rents still declined compared to 2019. In 2021-2024, Guangzhou’s Grade A office space will enter a period of intensive supply, with supply concentrated in the Pazhou and Financial Town districts, resulting in rising vacancy rates and limited upward rental incentives, while holding the growth rate of rental prices in other areas of the city. The overall rental level of Grade A offices in Guangzhou is forecasted to show a slight upward trend from 2021 to 2025, with an average increase of 1.3% from 2021 to 2025.

Table 23: Rental Forecast of Grade A Office, up to 2025 (RMB/sq.m./month)



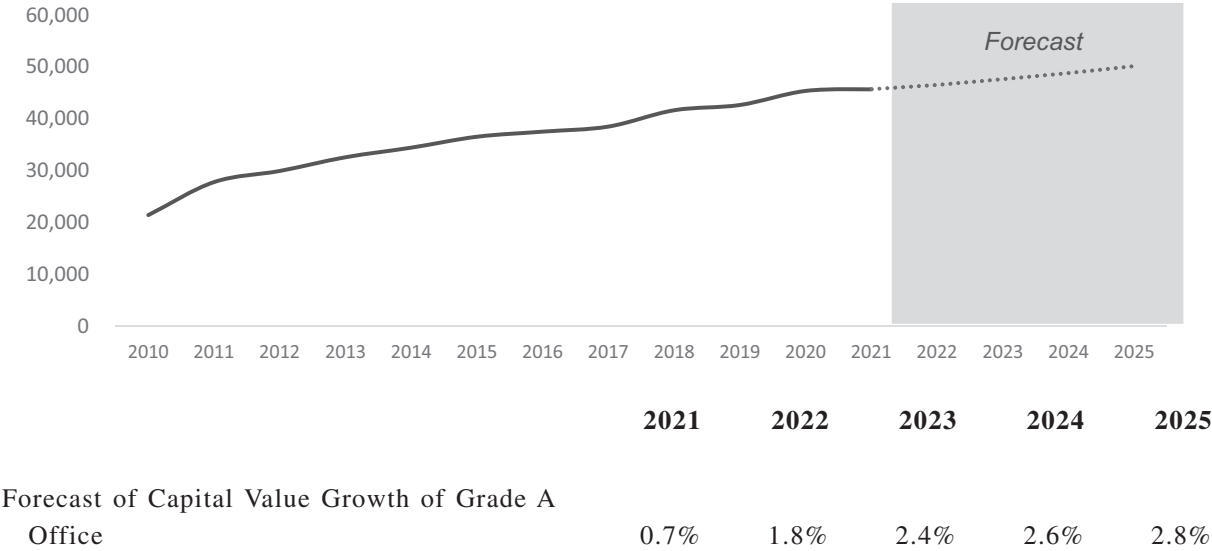
	2021	2022	2023	2024	2025
Forecast of Rental Growth of Grade A Office	0.7%	1.0%	1.4%	1.4%	1.4%

Source: Cushman & Wakefield

2.2.4 Outlook of Capital Value of Grade A Office

As land prices continue to rise and the standard of Grade A office facilities continues to improve, the cost of investment continues to increase. As a First-Tier city, Guangzhou has seen a continuous influx of capital and investors are optimistic about the development prospects of the market. Combined with the keynote of domestic and overseas interest rate cuts under the influence of the COVID-19, asset values are expected to rise by the stimulus. In the future, capital value of Grade A office buildings is forecasted to be growing stably.

Table 24: Forecast of Capital Value of Grade A Office, up to 2025 (RMB/sq.m.)



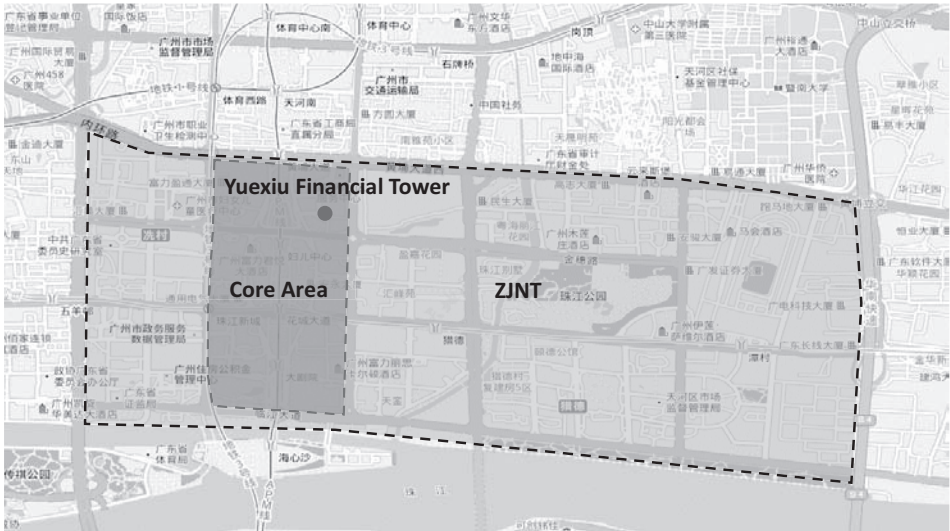
Source: Cushman & Wakefield

2.3 Grade A Office Market of ZJNT

2.3.1 ZJNT

ZJNT is the core area of Guangzhou Tianhe CBD and the most concentrated area of Guangzhou Grade A office buildings. It is located at the junction of Tianhe, Yuexiu and Haizhu Districts, bordering the South China Express Line on the east, Guangzhou Avenue on the west, the Pearl River on the south and Huangpu Avenue on the north. The total planned area of land is 6.44 sq.km. and the core area (bordering the South Xiancun Road on the east, Huaxia Road on the west, the Pearl River on the south and Huangpu Avenue on the north) is about 1 sq.km.

Picture 4: Location of ZJNT



Source: Cushman & Wakefield

After 20 years of development, the development of ZJNT is near the end and its scarcity is becoming increasingly prominent. Sales prices and rents of office buildings in the district have reached the highest level in Guangzhou. New supply is running out and companies continue to move in, causing the office vacancy rate continuing to decline.

2.3.2 Overview of Grade A Office Buildings in ZJNT

Grade A office buildings in ZJNT are concentrated along the central axis of the core area. On the south side near Haixinsha Square, there are landmark buildings of Guangzhou including Guangdong Museum, Guangzhou Library, Guangzhou Opera House, Second Children's Palace Guangzhou, Guangzhou International Finance Center (West Tower), Chow Tai Fook Finance Center (East Tower), etc.

At present, the top 10 super high-rise buildings in Guangzhou are all taller than 300 metres, of which 6 buildings are located along the central axis. The project building is 309.3 metres tall and is located on the east side of the central axis, ranking the 8th in Guangzhou.

Table 25: Top 10 Super High-rise Buildings in Guangzhou

Rank of building height	Project	District	Height (m)	Completion Year
1	Chow Tai Fook Finance Center	ZJNT	530	2016
2	Guangzhou International Finance Center	ZJNT	432	2011
3	CITIC Plaza	Sports Center	391	1996
4	Guangsheng International Building	ZJNT	360	2011
5	Universal Metropolis Plaza	ZJNT	318	2015
6	Poly Sky Plaza	Pazhou	311	2018
7	Pearl River City	ZJNT	309.6	2013
8 (the Tower)	Yuexiu Financial Tower	ZJNT	309.3	2015
9	GF Securities Building	ZJNT	308	2018
10	Litong Plaza	ZJNT	302.9	2012

Source: Cushman & Wakefield

Picture 5: Super High-rise Buildings along the Central Axis of ZJNT



Source: Cushman & Wakefield

2.3.3 Stock and Supply of Grade A Office Buildings in ZJNT

The new supply of Grade A office buildings in ZJNT has reached 2.835 million sq.m. since 2010, with an average annual supply of 247,000 sq.m.. There were higher supplies in 2013 and 2016, with a total supply volume of 1.207 million sq.m., accounting for 43% of the total new supply in the past decade.

Table 26: Historical Supply of Grade A Office Building in ZJNT, as of Q2 2021 (sq.m.)

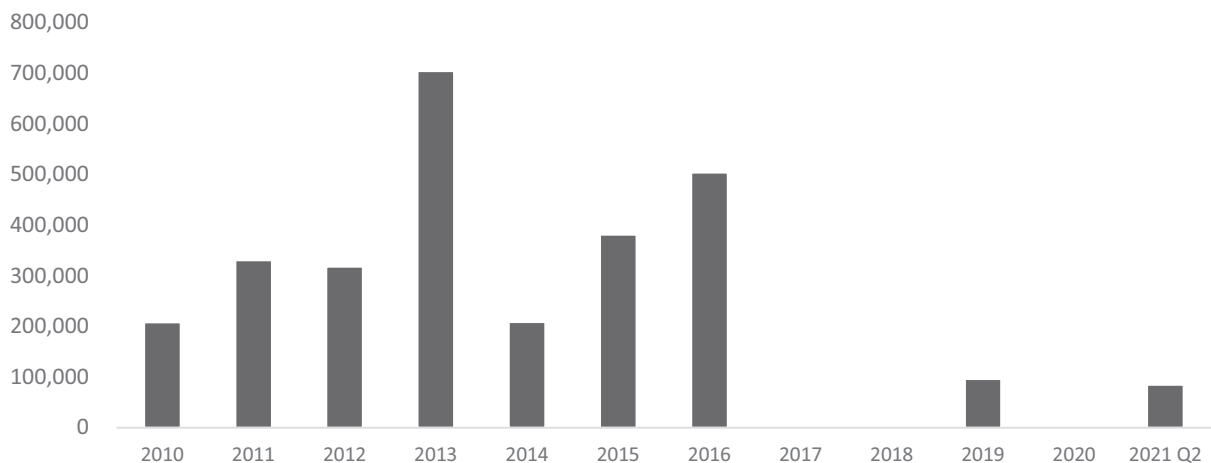
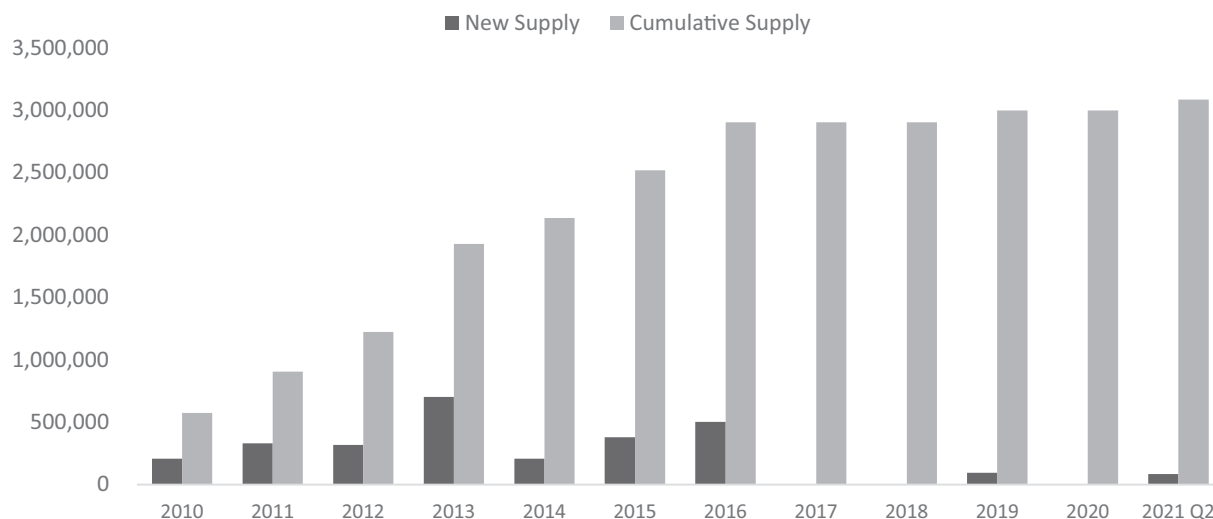


Table 27: Cumulative Supply of Grade A Office Building in ZJNT, as of Q2 2021 (sq.m.)

Note: The database was adjusted at the beginning of 2018: unqualified projects were excluded, therefore the data pool was smaller.

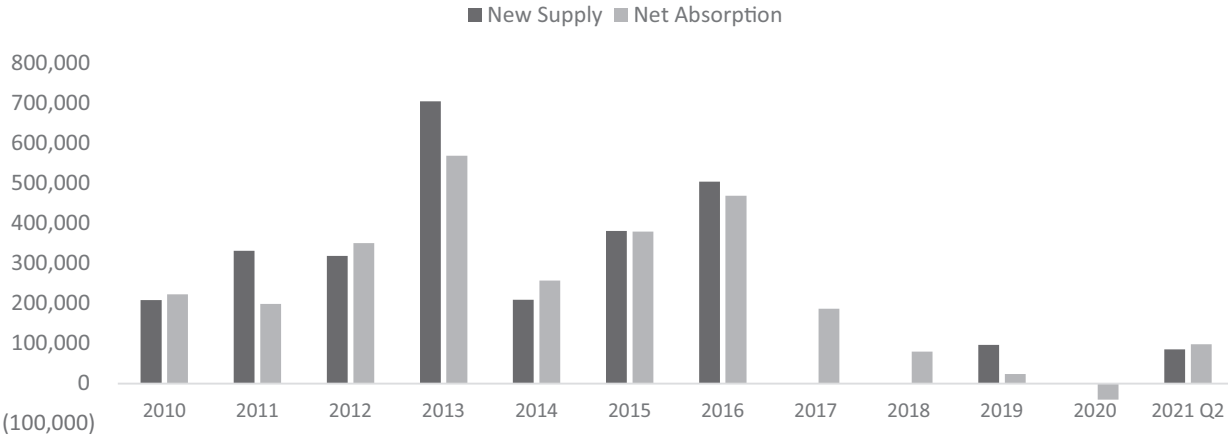
Source: Cushman & Wakefield

The development of ZJNT was widely witnessed over the past decade. A number of landmark buildings were completed during the period of 2010 Asian Games in Guangzhou, including Canton Tower, Second Children's Palace Guangzhou, Guangzhou Opera House, Guangdong Museum, Guangzhou Library and Guangzhou International Finance Center (West Tower). The central axis (Huacheng Square) was also built and unveiled. With the opening of Guangzhou Metro's Line 3, Line 5 and APM line, transportation facilities has been further improved. International Grade A office buildings with distinctive designs and appearances have been built one after another, the business atmosphere has gradually matured, and the pattern of the core business district has formally taken shape. ZJNT has become the representative of Guangzhou.

2.3.4 Net Absorption, Vacancy Rate and Rental of ZJNT

A number of Grade A office buildings were completed and delivered from 2011 to 2016 with an average annual new supply and absorption of about 408,000 sq.m. and 370,000 sq.m. respectively. From 2017 to 2019, new supply decreased, while the average annual net absorption was approximately 96,000 sq.m., indicating a shortage of supply. Affected by the short-term economic downturn brought about by the COVID-19, the net absorption in 2020 decreased to about approximately -40,000 sq.m. from +24,000 in 2019. Some start-ups were weak in risk resistance, and therefore reducing the rental spaces and surrendering of tenancy to control the budget. However, as the influences of the pandemic smooths out, rental market of the Grade A office in Q1 and Q2 2021 had better performances. ZJNT's financial position was further consolidated as the recently established Guangzhou Futures Exchange was set up in Guangzhou Vanke Center, which was newly delivered in ZJNT.

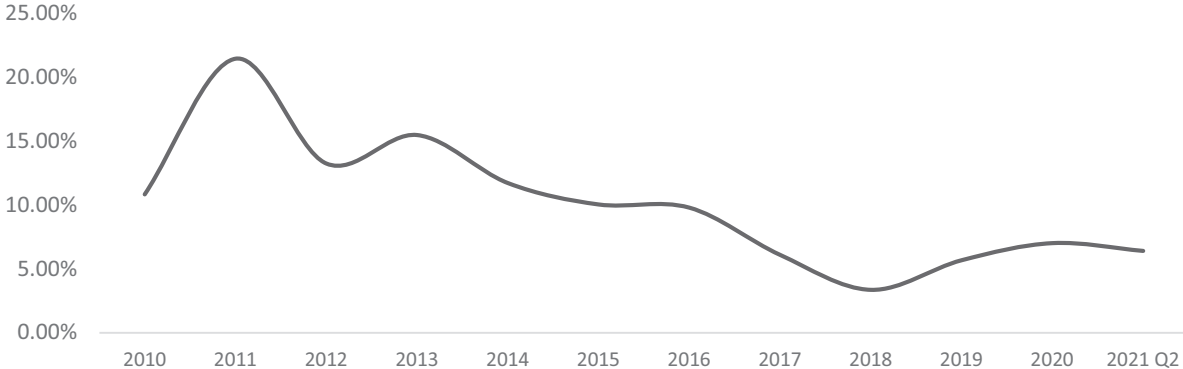
Table 28: Net Absorption of ZJNT, as of Q2 2021 (sq.m.)



Source: Cushman & Wakefield

The newly-added supply area in 2016 was the peak in the past five years, leading to a vacancy rate of 13.20% in Q4 of 2016. With the slowdown of new supply in 2017 and 2018, the vacancy rate gradually declined. As there was no new supply in 2020, which offset some of the effect on slow net absorption, the vacancy rate increased by 1.3% year-on-year to 7.0% at Q4 2020. However, rental market for Grade A office in Q1 and Q2 2021 showed improved performance by observing the vacancy rate in Q2 2021 dropped to 6.4%.

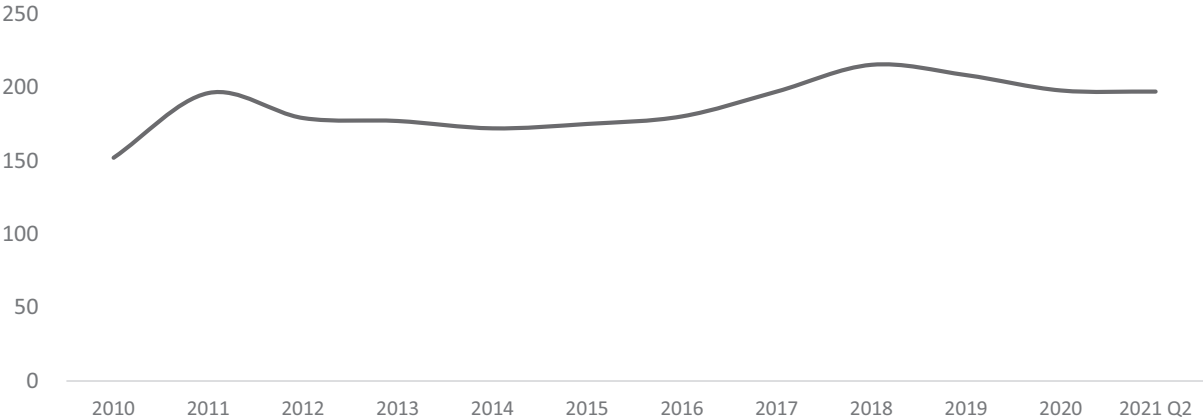
Table 29: Vacancy Rate of ZJNT, as of Q2 2021



Source: Cushman & Wakefield

The rental level of Grade A office has been growing steadily since 2010. Rent increased from RMB152/sq.m./month in 2010 to RMB208/sq.m./month in 2019, representing CAGR of 3.6%. Although falling to RMB198/sq.m./month in 2020, ZJNT is still the area with the highest rent in the city. Rents in Q1 and Q2 2021 remained at the same level of that in Q4 2020.

Table 30: Rent of Grade A Office, as of Q2 2021 (RMB/sq.m./month)



Source: Cushman & Wakefield

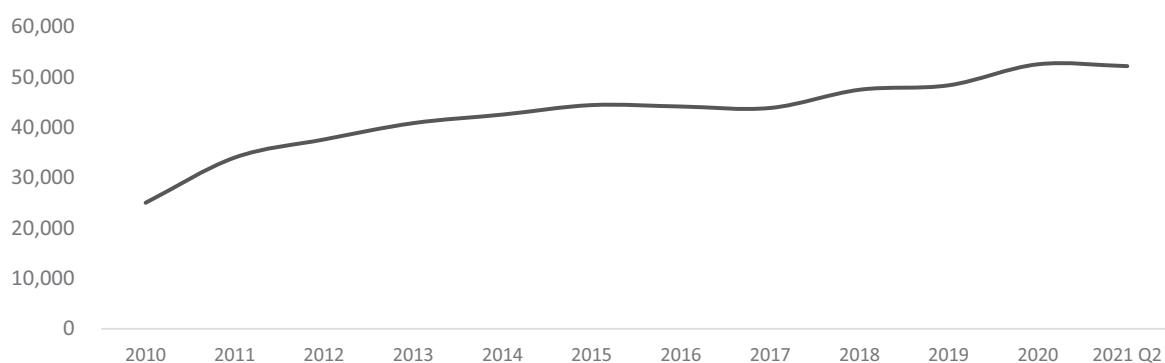
Even though new supply decreased, the market demand for high-quality office space remains strong, especially financial services and information technology, media, TMT. The strong demand leads to an active office leasing market and frequent leasing transactions. It is also the driving force for ZJNT’s Grade A office market in the future.

2.3.5 Capital Value of Grade A Office in ZJNT

Capital value of Grade A office in ZJNT has continued to grow rapidly since 2010, from RMB25,053 per sq.m. in 2010 to RMB52,587 per sq.m. in 2020, a CAGR of 7.7%. ZJNT has kept the highest capital value of Grade A office in Guangzhou. The growth rate of capital value is higher than the growth rate of rent. The capital value has slightly decreased to RMB52,213 per sq.m. in Q2 2021.

On the one hand, the rental rise, decreasing vacancy rate and amidst scarcity supply as well as other factors have pushed up the capital value of Grade A office in ZJNT. On the other hand, the investment value of Grade A office in ZJNT is well recognized by investors and sustained given its business culture, unrivalled location and public image.

Table 31: Capital Value of Grade A Office in ZJNT, as of Q2 2021 (RMB/sq.m.)



Note: Capital value is calculated based on transaction of whole building.

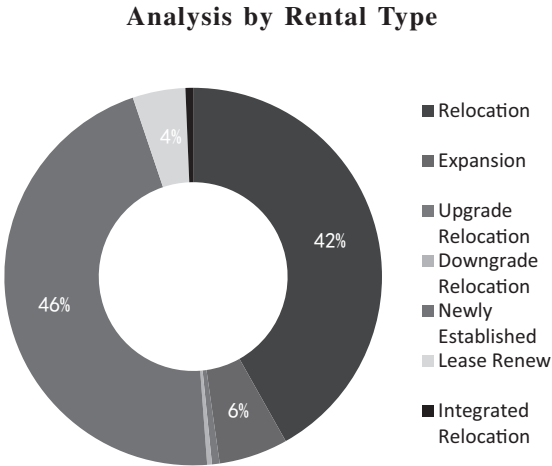
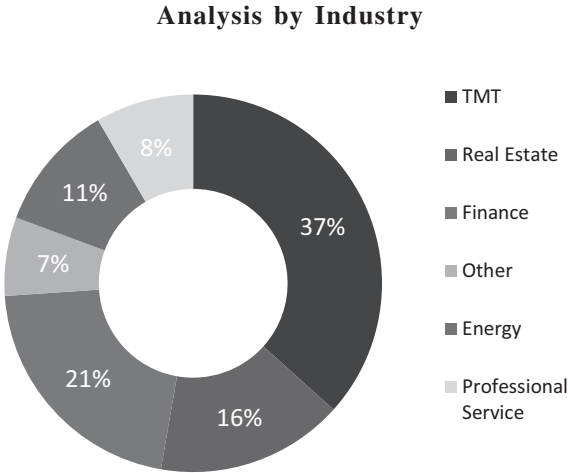
Source: Cushman & Wakefield

2.3.6 Demand Analysis on International Grade A Office Project in the Core District of ZJNT

Major tenants of Grade A office in ZJNT come from financial services, professional services and TMT industries, accounting for approximately 64% of the total tenants in 2020, 69% in 2019. Being strategically situated in CBD and attracting excellent TMT companies to settle are the factors of increasing tenant structure stability. The post-pandemic period is conducive to enhancing the risk resistance of Grade A offices in ZJNT and maintaining higher rents and lower vacancy rates.

The business environment of ZJNT, modern building design, and comprehensive amenities attracts companies to relocate from other areas to ZJNT.




Table 32: Demand Analysis of Grade A Office Tenants in ZJNT in Q1 and Q2 2021






Note: Relocation refers to the relocation between buildings of the same grade; upgrade relocation refers to the relocation from buildings with low grades to high grades.

Source: Cushman & Wakefield

2.3.7 Research on International Grade A Office Project in the Core District of ZJNT

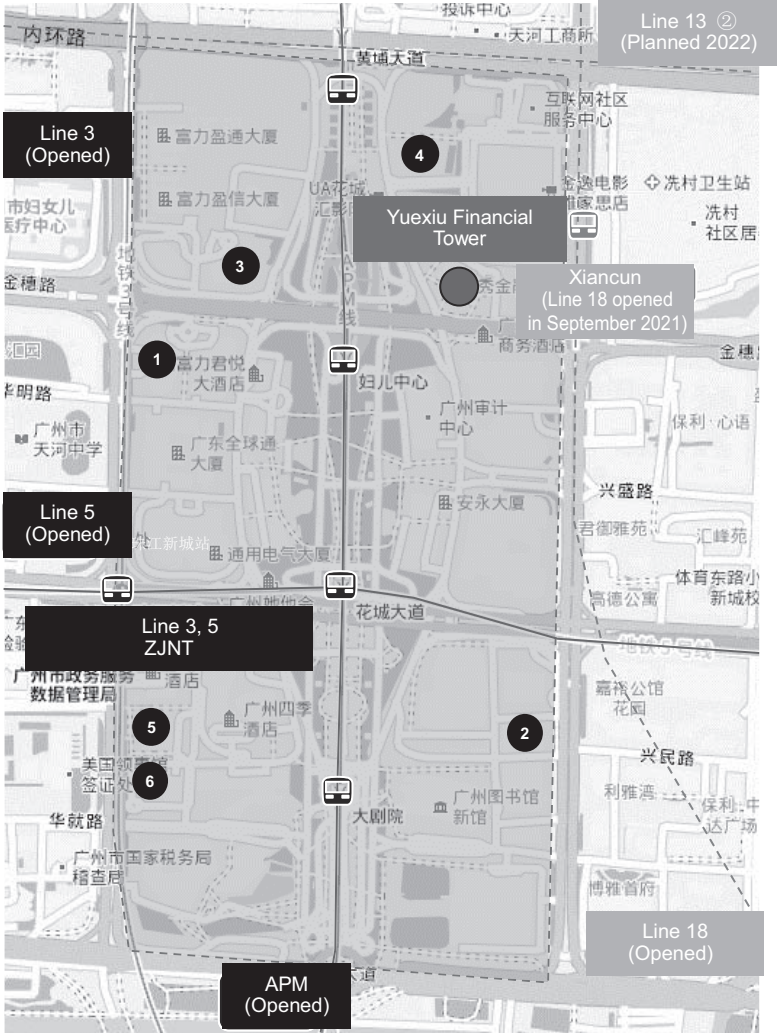
Project	(1) Qiaoxin International Financial Center	(2) Kaihua International Center	(3) Pearl River City
Appearance			
Completion Date	2016	2016	2013
Use	Commercial/Office	Commercial/Office	Commercial/Office
Location	No. 62 Jinsui Road	No. 5 Xiancun Road	No. 15 Zhujiang West Road
Developer/Owner	Qiaoxin Group	Kaihua City, Guangzhou	China Tobacco Guangdong Company
Grade	International Grade A	International Grade A	International Grade A
Total Construction Area (sq.m.)	208,465	152,984	216,557
Total Floors	45	53	71
Height (m)	228	232.4	309.6
Walking Distance to Subway Station	5 minutes to ZJNT Station on Line-3/5; 10 minutes to planned Xiancun Station on Line-13/18	5 minutes to ZJNT Station on Line-3/5 and Liede Station on Line 5; 10 minutes to planned Xiancun Station on Line-13/18	8 minutes to ZJNT Station on Line-3/5; 9 minutes to planned Xiancun Station on Line-13/18

Project	(4) Litong Plaza	(5) R&F Center	(6) Hejing International Financial Plaza
Appearance			
Completion Date	2012	2007	2007
Use	Commercial/Office	Commercial/Office	Commercial/Office
Location	No. 32 Zhujiang East Road	No. 10 Huaxia Road	No. 8 Huaxia Road
Developer/Owner	Guangdong Communications Group, Litong Real Estate	R&F Properties	Hejing Taifu Group
Grade	International Grade A	International Grade A	International Grade A
Total Construction Area (sq.m.)	159,435	162,720	102,344
Total Floors	65	54	39
Height (m)	302.9	243	198
Walking Distance to Subway Station	10 minutes to ZJNT Station on Line-3/5; 5 minutes to planned Xiancun Station on Line-13/18	5 minutes to ZJNT Station on Line-3/5; 18 minutes to planned Xiancun Station on Line-13/18	5 minutes to ZJNT Station on Line-3/5; 18 minutes to planned Xiancun Station on Line-13/18

Source: Cushman & Wakefield

The selection criteria for study are as follow: Firstly, the competitive building is located within the core area of ZJNT. Secondly, it is classified as International Grade A office building. Thirdly, the construction scale and property grade are equivalent or similar.

Picture 6: Comparable International Grade A Office Buildings in the Core Area of ZJNT

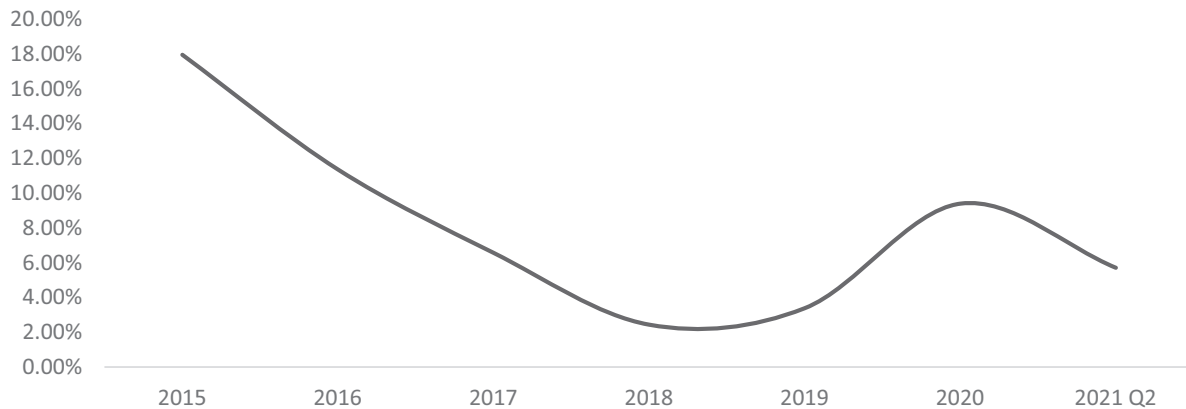


Source: Cushman & Wakefield

The walking distance between the International Grade A office buildings in the core area of ZJNT and the adjacent major subway lines is about 5-10 minutes. Line 18 (opened in September 2021) and Phase 2 of line 13 (planned 2022) will further improve the regional public transportation network. The opening of the new subway stations (Xiancun Station and Huacheng Square North Station) will further push up the rent of office buildings around the station.

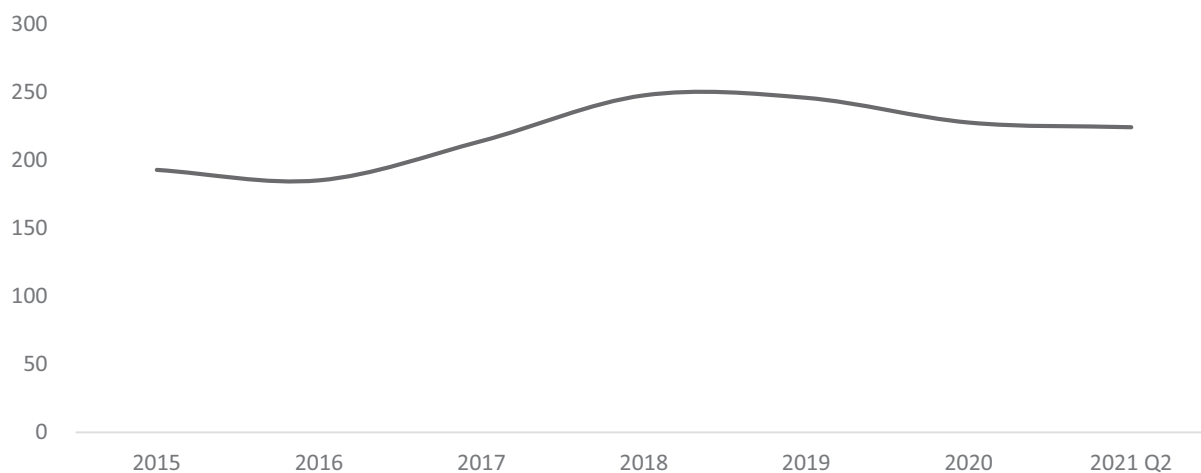
In order to achieve a relatively satisfactory occupancy rate, landlords of newly completed Grade A office buildings usually offer discounted rent initially to tenants, followed by rental upward adjustment upon lease renewal or new letting after expiry of first round tenancies which are mostly of 3-5 years. When the occupancy rate has reached a stable state, there will be more room for landlords to be selective in quality tenants who are willing to pay higher rents. Take the International Grade A office in the core area of ZJNT as an example, rents may turnaround with 30% increase after the first round tenancies.

Table 33: Analysis of Vacancy Rate of the International Grade A Office Projects in the Core Area of ZJNT, as of Q2 2021



Source: Cushman & Wakefield

Table 34: Rental Analysis of International Grade A Office Space in the Core District of ZJNT, as of Q2 2021 (RMB/sq.m./month)



Source: Cushman & Wakefield

Vacancy rate of International Grade A office buildings in the core area of ZJNT has dropped to historical low, at a range of 2.4% in 2018 after years of development, whilst average monthly rent has climbed to about RMB248/sq.m.. Despite the short-term decline in rent in 2020, with premier building specifications at strategic location, there is no question that International Grade A offices in core area outperform general average Grade A offices, with lower vacancy but fetching higher rent and having more room for rental growth and capital value appreciation.

2.4 Drivers of Future Development of Grade A Office Buildings in ZJNT

➤ Enhancement of City Status

The Development Plan for GBA carries profound significance and serves as a programmatic document for cooperative development and accelerated economic upgrade in the region for now and the future. The plan positions Guangzhou as a core city in the Greater Bay Area, a first-tier city in the world, and a political, economic and cultural centre in southern China. The interconnection of the Guangdong, Hong Kong and Macao markets is expected to deepen, thereby facilitating economic development.

➤ Favourable Policies

To aid the upgrade of the industry structure of Guangzhou, the Guangzhou Municipal Government and the Tianhe District Government have issued several favourable policies to encourage settlement of enterprises. These policies facilitate the settlement of outstanding enterprises by providing cash benefits, office purchase subsidies and office rental subsidies. For example, ‘Measures for Accelerating Enterprises Settlement in Guangzhou (Trial)’ (《廣州市促進企業加快落戶若干辦法(試行)》) stated that “newly introduced key enterprises renting their own office space in the city shall be given rental subsidies in proportion to the rental expense for no more than 3 years, with the annual subsidy towards each enterprise not exceeding RMB4 million”. The ‘Implementation Measures of Guangzhou Tianhe District Industrial Development Special Fund to Support Investment Institutions to Introduce Investment’ (《廣州市天河區產業發展專項資金支持招商機構引進投資實施辦法》) stated that a one-time support of RMB500,000 shall be given to newly settled enterprises that are among the Fortune Global 500, China’s Top 500 Enterprises, Forbes Global 2000, China’s Top 500 Private Enterprises, China’s Top 100 Enterprises of the Service Industry, and China’s Top 100 Chain Stores, as well as newly settled headquarters of provincial key enterprises, incorporated financial institutions and national financial market trading platforms.

➤ Core Position of ZJNT

Guangzhou Tianhe CBD is one of the three national central business districts approved by the State Council, and ZJNT is the core area of Tianhe CBD. After years of development, ZJNT has fostered a mature business, working and retail shopping atmosphere. The opened Guangzhou Metro Line-18 and the planned opening of Phase 2 of Line-13 will further complete the rail transit network of ZJNT and consolidate its core position in the city.

➤ Accelerated Growth of Total Demand

The growth of total demand for Grade A office buildings in ZJNT has accelerated. In particular, financial, service and technology companies have higher demand. In the future, the cluster effect will take shape, thereby attracting high-end tenants from other relevant sectors to settle in ZJNT and replace tenants with a lower capacity to afford rents.

➤ Trend of Rising Rents

In the past few years, the vacancy rate of Grade A office buildings in ZJNT has gradually decreased. Although the vacancy rate climbed slightly during the COVID-19 pandemic, the overall trend of development remains unchanged and presents a promising prospect. The management team may utilize the expiry of existing tenancies and select tenants with higher growth potential and a higher capacity to afford rents, improving overall rental profitability.

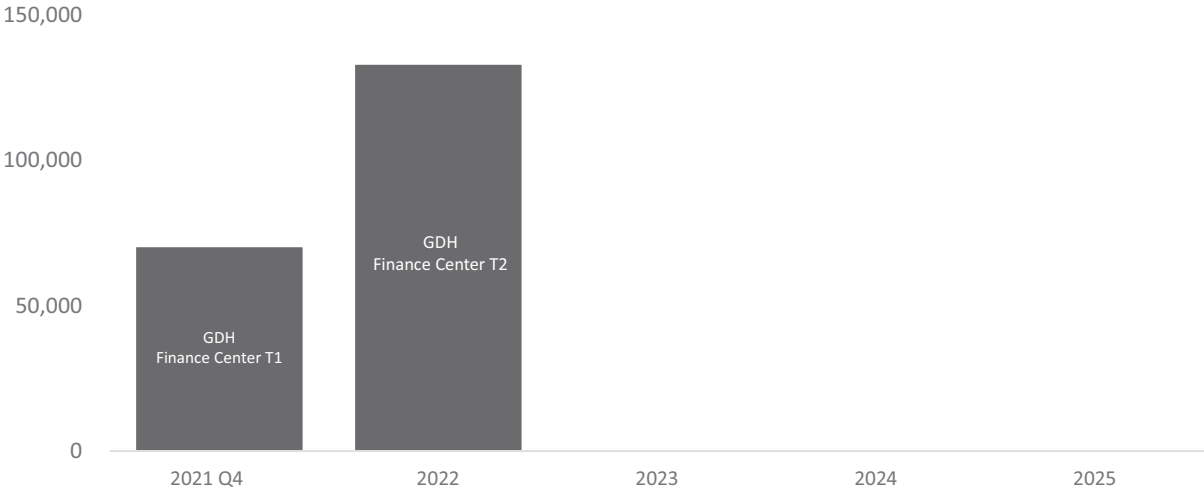
2.5 Analysis of the Future Market of ZJNT

2.5.1 Forecast of Supply and Net Absorption of Grade A Office Buildings in ZJNT

It is estimated that 2 more Grade A office buildings will be supplied in ZJNT in the next 5 years, with total new capacity of approximately 204,000 sq.m..

There will be very limited land available for commercial/office development in the Core Area of ZJNT. Outside of the Core Area of ZJNT, some of the urban renewal projects may provide commercial/office development but no plan has been filed. Therefore, it is estimated that there will not be any new supply of Grade A office in ZJNT between 2023 - 2025.

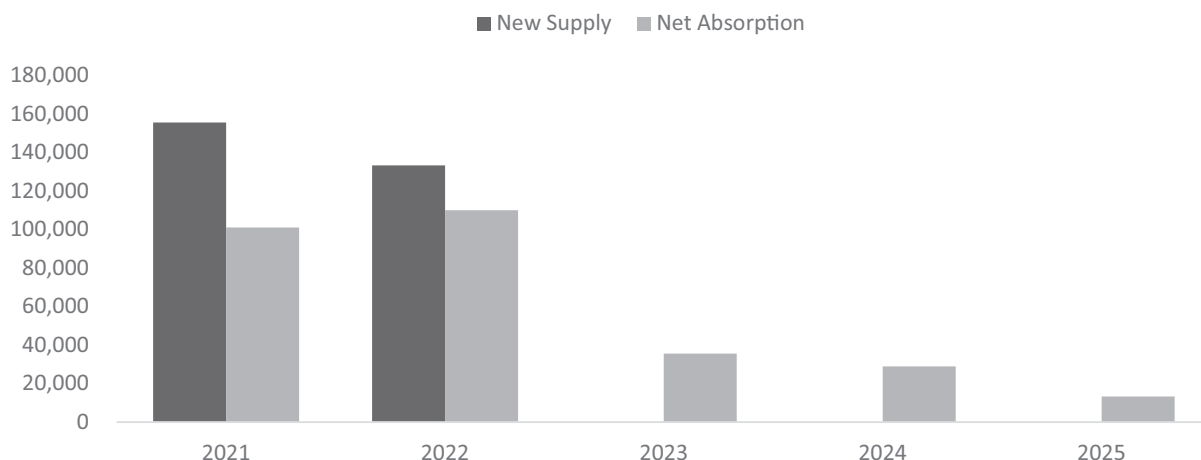
Table 35: Forecast of Future Supply of Grade A Office Buildings in ZJNT, up to 2025 (sq.m.)



Source: Cushman & Wakefield

New supply is insufficient and the situation of excessive demand persists, with a forecasted annual average net absorption of about 58,000 sq.m. in ZJNT by 2025.

Table 36: Forecast of Net Absorption of Grade A Office Buildings in ZJNT, up to 2025 (sq.m.)

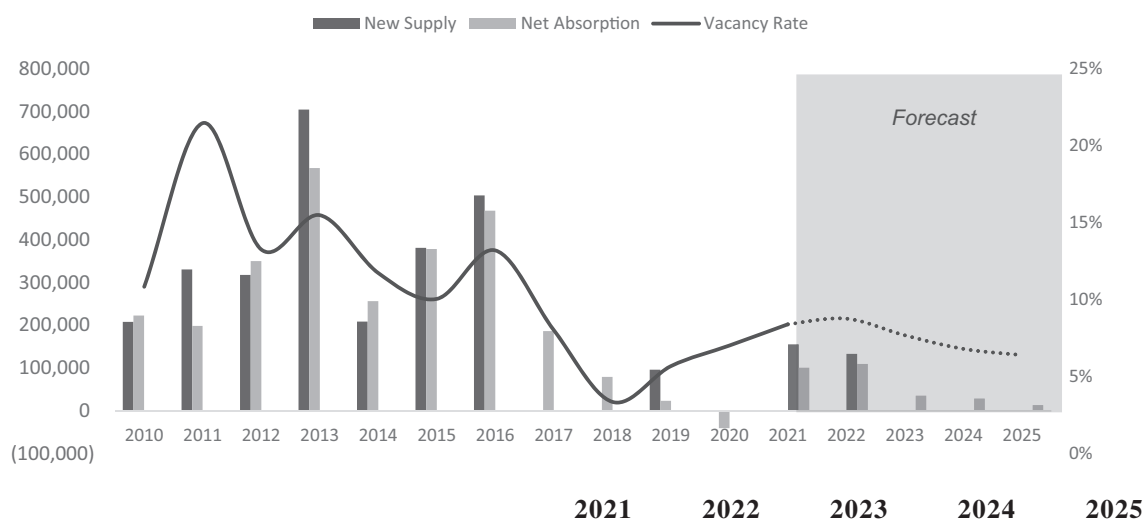


Source: Cushman & Wakefield

2.5.2 Forecast of Vacancy Rate and Rent of Grade A Office Buildings in ZJNT

The overall vacancy rate of ZJNT is expected to remain at a relatively low level around 6.4% - 8.8% from 2021 to 2025.

Table 37: Forecast of Vacancy Rate of Grade A Office Buildings in ZJNT, up to 2025 (sq.m.)



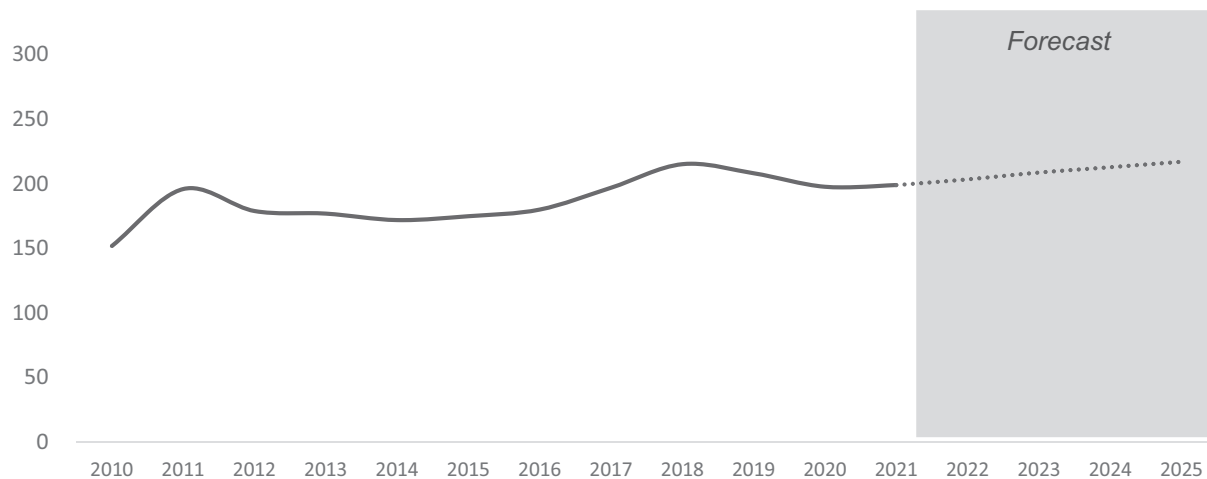
Forecast of Vacancy Rate of Grade A Office Buildings in ZJNT

Year	2021	2022	2023	2024	2025
Vacancy Rate (%)	8.4%	8.8%	7.7%	6.8%	6.4%

Source: Cushman & Wakefield

From 2016 to 2020, the CAGR of the overall rent level of Grade A office buildings in ZJNT was 2.4%. As the impact of the pandemic fades and market demand recovers, the rent level is expected to display a steady upward trend from 2021 to 2025, with average monthly rent reaching RMB217/sq.m. in 2025.

Table 38: Forecast of Rent of Grade A Office Buildings in ZJNT, up to 2025
(RMB/sq.m./month)

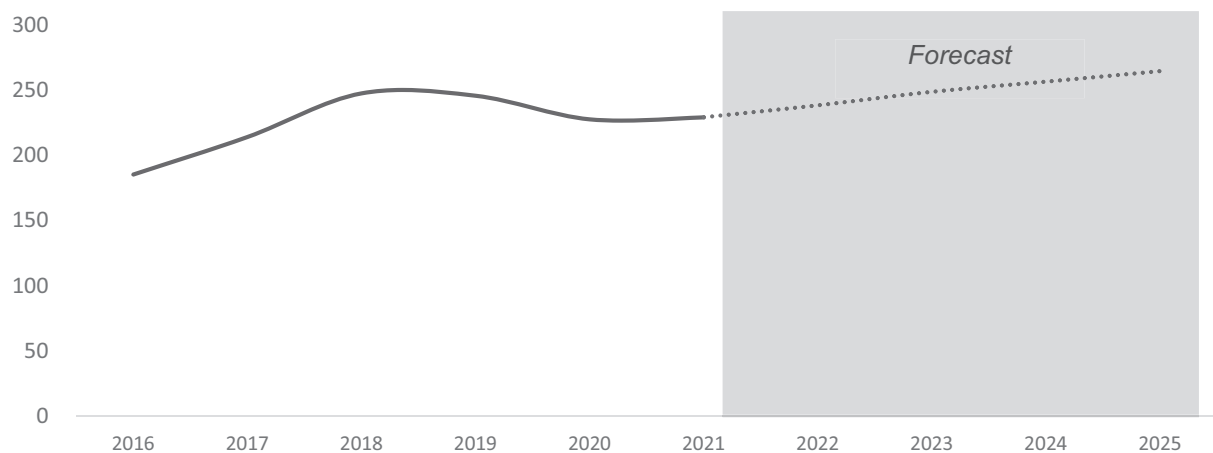


	2021	2022	2023	2024	2025
Forecast of Rent Growth Rate of Grade A Office Buildings in ZJNT	0.7%	2.2%	2.6%	2.0%	2.0%

Source: Cushman & Wakefield

From 2016 to 2020, the CAGR of the rent of International Grade A office buildings in the core area of ZJNT was 5.3%. The average monthly rent was RMB229 per sq.m. (or RMB 218 without VAT) per month in Q2 2021. The rent level is expected to display a steady upward trend from 2021 to 2025, with average monthly rent reaching RMB265/sq.m. in 2025.

Table 39: Forecast of Rent of International Grade A Office Buildings in Core Area of ZJNT, up to 2025 (RMB/sq.m./month)



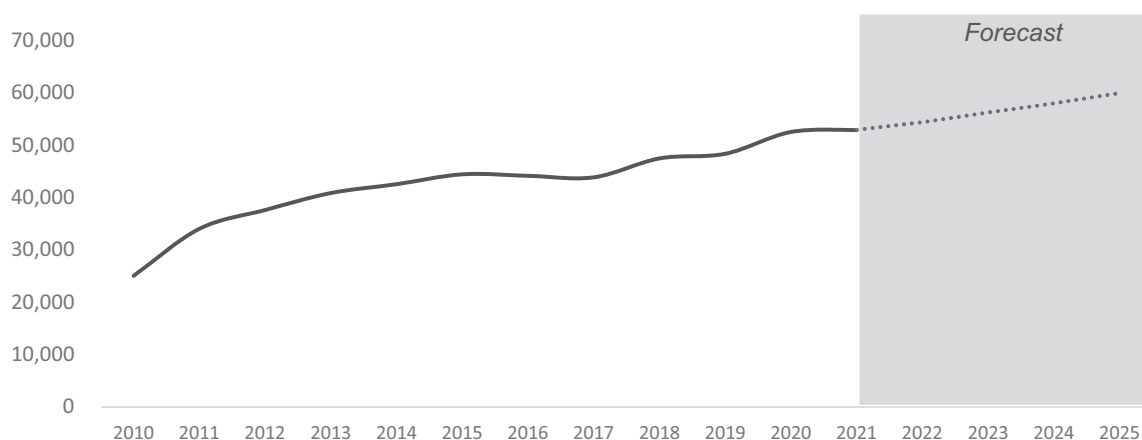
	2021	2022	2023	2024	2025
Forecast of Rent Growth Rate of International Grade A Office Buildings in Core Area of ZJNT	0.7%	4.0%	4.4%	3.2%	3.2%

Source: Cushman & Wakefield

2.5.3 Forecast of Capital Value of Grade A Office Buildings in ZJNT

With gradual decrease of new supply in ZJNT, vacancy rate is expected to remain low, thereby driving up rent and further increasing capital value. The capital value of Grade A office buildings is expected to increase on an average rate of 3.2% per annual by 2025.

Table 40: Forecast of Capital Value of Grade A Office Buildings in ZJNT, up to 2025 (RMB/sq.m.)



	2021	2022	2023	2024	2025
Forecast of Capital Value Growth Rate of Grade A Office Buildings in ZJNT	0.7%	2.8%	3.4%	3.2%	3.4%

Source: Cushman & Wakefield

3. Retail Market of ZJNT

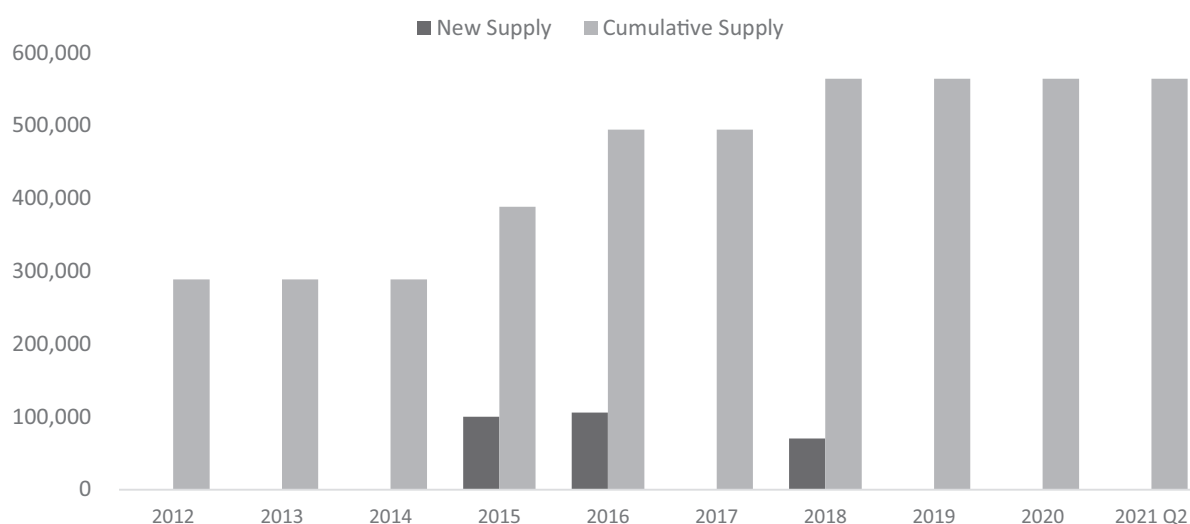
3.1 Overview of Retail Market of ZJNT

The development and construction of retail market of ZJNT, one of the most prosperous retail markets in Guangzhou, has kept pace with the development of ZJNT's Grade A office market. The major shopping malls in ZJNT including K11 Art Mall, Guangzhou International Financial Center, Guangzhou International Grand City, GT Land Plaza (Spring), GT Land Plaza (Winter), and Happy Valley. In order to meet the consumer demand of office users, most podium buildings (generally 1 to 4 floors) of Grade A office buildings have commercial facilities.

As of Q2 2021, the stock of retail market of ZJNT was 564,000 sq.m., accounting for 11.9% of the stock of Guangzhou retail market. The average rent (referring to quoted rent for the best location in major shopping malls, based on usable area) was RMB707/sq.m./month, lower than the more established Sports Center (RMB1,734/sq.m./month) and Yuexiu (RMB955/sq.m./month) markets.

3.2 Stock of Retail Market of ZJNT

Table 41: Cumulative Supply of Retail Property in ZJNT, as of Q2 2021 (sq.m.)



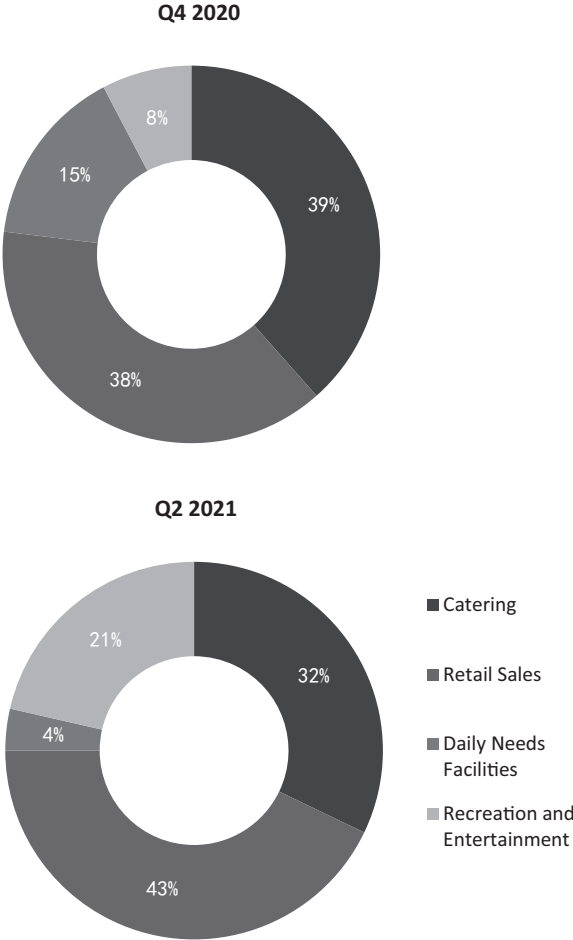
Source: Cushman & Wakefield

Similar to the Grade A office market, the representative shopping malls of retail market of ZJNT are all located in core area of ZJNT, including K11 Art Mall, Guangzhou International Financial Center, and Guangzhou International Grand City, etc.

Guangzhou International Grand City (Opened in 2016) and K11 Art Mall (Opened in 2018) have provided supply of approximately 176,000 sq.m. for retail market of ZJNT, with both shopping malls targeting the mid-to-high end consumer market.

3.3 Proportion of Retail Market Formats of ZJNT

Table 42: Demand Analysis of Retail Tenants in ZJNT



Source: Cushman & Wakefield

Retail sales and catering are the major formats (account for more than 70%) of retail market of ZJNT. The demand and development of the retail sales format is driven by the residents of the high-end residential properties in ZJNT and tourists with the central axis of ZJNT as destination, while the development of the catering format is supported by many white-collar employees.

The mobility of people has been restricted by COVID-19, which stimulates the expansionary demand of tenants of daily needs facilities. However, it has also delayed the expansion of tenants of recreation and entertainment.

The main consumers of commercial facilities of Grade A office podium buildings are the employees working in it. Most of such commercial facilities are in the format of banking and securities institutions, medical and health institutions, and fast food chains or restaurants.

3.4 Rent and Vacancy Rate of Retail Market of ZJNT

Table 43: Analysis of Vacancy Rate of Retail Market of ZJNT, as of Q2 2021 (%)

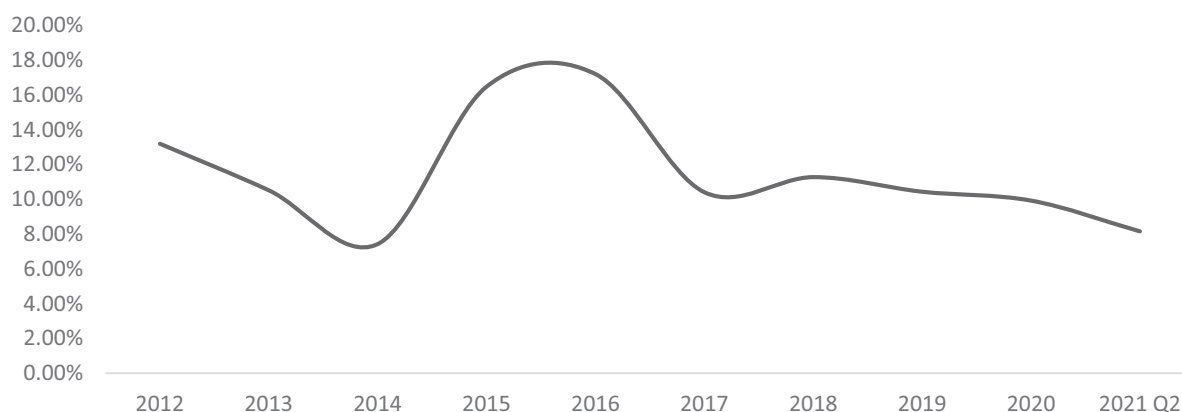
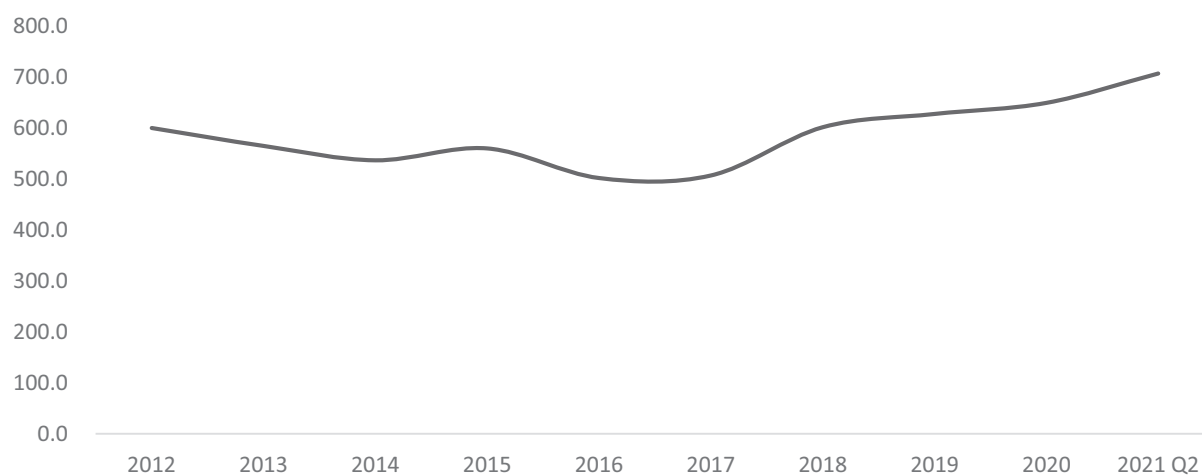


Table 44: Rental Analysis of Retail Market of ZJNT, as of Q2 2021 (RMB/sq.m./month)



Note: The average rent refers to the quoted rent for the best location (generally the first floor above ground) in major shopping malls, based on usable area and exclusive of management fee, promotion fee, etc.

Source: Cushman & Wakefield

The development of ZJNT's Retail Market has kept pace with the development of ZJNT's Grade A office market. The retail market in Q1 and Q2 2020 was hit by COVID-19 and gradually recovered in Q3 and Q4 2020. In H1 2021, the retail market continued to improve as the government encouraged local spending which stimulated the demand for retail and catering services. The average rental reached RMB706.7/sq.m. in Q2 2021, increased 11.3% compared to the same period in 2020. The vacancy rate in Q2 2021 of 8.2% was at the lowest level since 2015.

3.5 Forecast of Retail Market of ZJNT

The overall development of ZJNT is mature and the scarcity of land has led to a lack of new supply. It is estimated that no new shopping mall will be opened in ZJNT in the next 5 years.

ZJNT has the highest-end residential market and the largest Grade A office market in Guangzhou, which has led to a gradual development of the retail market towards the middle and high end level, stimulating the consumption of many white-collar workers and local residents. It is estimated that the rent will maintain a stable growth in the next 5 years.

At the same time, influenced by the overall development trend of the retail market, the owners are more focused on adjusting the mix of retail formats to meet the demands of consumers, improving the shopping and spending experience while further reducing the vacancy rate.

4. Car Parking Property Market of ZJNT

4.1 Vehicle Ownership and Current Parking Spaces in Guangzhou

With the rapid development of Guangzhou's economy, improving disposable income and the promotion of the Development Plan for GBA, civil motor vehicle ownership and private automobile ownership in Guangzhou will continue to increase. By the end of 2019, civil motor vehicle ownership in Guangzhou was about 2.79 million, of which 2.17 million were private automobiles, reaching a historical high of civil motor vehicle ownership in the city. Based on the current trend, civil motor vehicle ownership in Guangzhou is expected to exceed 3 million by 2027.

Table 45: Motor Vehicle Ownership in Guangzhou

	2016	2017	2018	2019	2020	CAGR
Civil Motor Vehicle Ownership (ten thousand)	242.4	248.9	257.3	278.9	Not available yet	4.8%
Private Automobile Ownership (ten thousand)	195.0	197.8	202.6	216.9	Not available yet	3.6%

Source: *Guangzhou Statistics Bureau*

At present, existing parking spaces in Guangzhou mainly come from ancillary parking facilities of real estate developments, supplemented by public parking lots. Certain public roadside spaces may also be available for temporary parking. Limited and uneven distribution of parking spaces has caused the difficulty of car parking.

According to statistics from the Guangdong Static Traffic Association, the supply and demand gap of parking spaces in Guangzhou has reached 1.5 million, and the average ratio of the quantity of motor vehicles to the quantity of parking spaces is around 1:0.3, reflecting severe shortage of parking spaces. Annual new supply of parking spaces in the central urban area is only around 20,000, and the

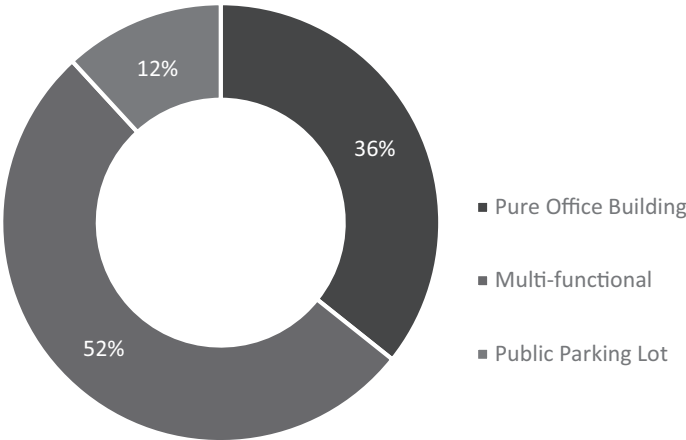
growth rate of automobile ownership is higher than the rate of the construction of new parking spaces. It is expected that motor vehicle ownership in Guangzhou will continue to rise in the future and the demand for parking spaces will remain strong, with the central urban area faced by a more severe parking difficulty.

4.2 Supply of Regional Parking Spaces

The core area of ZJNT has more than 22,000 commercial parking spaces that are located under office buildings and shopping malls in the region, available for public use.

Apart from commercial parking spaces related to office buildings and shopping malls, public parking spaces are also provided by multiple public facilities, such as the underground parking lot of Huachenghui, parking spaces of Second Children’s Palace Guangzhou, Guangzhou Opera House, Guangzhou Library, Guangdong Museum, etc.

Table 46: Distribution of Parking Spaces in Core Area of ZJNT



By usage of building, multi-functional buildings (functions include shopping mall, hotel or office) account for 52% of the parking spaces in the core area of ZJNT. Grade A office buildings account for 36% of the parking spaces and public parking lots account for 12%.

In the core area of ZJNT, a single multi-functional building can provide around 1,700 parking spaces at maximum. Pure office buildings typically provide around 600-800 parking spaces, most of which are supplied to the tenants of the buildings.

4.3 Rent and Capital Value of Parking Lot Properties

Parking fees in ZJNT vary based on different types of parking lots. As of Q4 2020, the monthly rent of parking spaces in most Grade A office buildings in the core area of ZJNT ranged from RMB1,500-RMB2,200/space/month, or from RMB10-RMB16/space/hour. Apart from that, some landlords might provide special offers for their employees or key business partners at around RMB1,200-RMB1,300/space/month.

Table 47: Survey of Rents of Various Types of Parking Lots in ZJNT

Parking Lot Type	Temporary Parking (RMB/space)		Monthly Rent (RMB/space/month, including management fee)	
	/hour	Daily cap	Non-fixed	Fixed parking
			parking space	space
Grade A Office Building	8-16	64-128	1,500-2,200	1,500-2,200
Residential Area Parking lot	10	48-80	800-1,200	1,200-1,400
Public Parking Lot	3-8	18-80	800-1,300	/

Source: Cushman & Wakefield

Table 48: Survey of Rents of Grade A Office Building Parking Lots in ZJNT

Parking Lot Type	Temporary Parking (RMB/space)		Monthly Rent (RMB/space/month, including management fee)	
	/hour	Daily cap	Non-fixed	Fixed parking
			parking space	space
Litong Building	8	64	1,800	2,400
Pearl River City	8	64	1,100 (Workday)	Mechanical: 1,500 Ordinary: 1,800
Guangzhou Bank Building	8	64	1,800	2,400
Poly Granville Building	8	64	1,500	1,800
Evergrande Center	16	128	2,000	2,000

Source: Cushman & Wakefield

The investment market for commercial parking spaces is not active in Guangzhou, so all landlords of Grade A office buildings and multi-functional buildings in the core area of ZJNT have retained ownership of their parking lots instead of selling them. The most recent parking space transactions in ZJNT have mainly involved parking spaces of high-end residential properties.

According to data from the China Index Academy, 309 residential parking spaces were sold by Zhuguang New Town Yujing (珠光新城禦景, a residential development completed in 2018) from 2019 to 2020 at an average price of around RMB470,000/space. In the same period, 46 parking spaces were sold by R&F Park 28 (富力公園, an apartment development completed in 2011) at an average price of around RMB440,000/space.

4.4 Expected Supply of Parking Spaces (2021-2024)

In the future, as GDH Finance Center (粤海金融中心) is put into operation, there will be an additional 1,300 parking spaces in the core area of ZJNT. The total parking spaces in the area will then exceed 23,000. However, as the new supply of office buildings in the core area of ZJNT decreases, new supply of parking spaces in the area will decrease together at the same pace.

With the development and popularization of new energy electric vehicles, the demand for parking spaces with charging installations in the urban area will surge. Paid parking lots may accommodate the developing demand of the automotive industry by retrofitting parking spaces with charging installations.

5. Analysis of Yuexiu Financial Tower

5.1 Location and Surrounding Environment

Yuexiu Financial Tower (the “Tower”) is located on the east side of the central axis of ZJNT. ZJNT is the core area of Tianhe CBD and the area with the highest concentration of Grade A office buildings in southern China. The height of the Tower is 309.3 metres, ranked 8th among existing skyscrapers in Guangzhou. 8 International Grade A office buildings with heights exceeding 300 metres are distributed within 800 metres of the surrounding area, including the Tower itself.

Located to the south of the Tower are Guangzhou’s landmark buildings such as the Canton Tower, Guangzhou Opera House, Second Children’s Palace Guangzhou, Guangzhou Library, Guangdong Museum, Huacheng Square and Haixinsha Square. It stands about 600 metres apart from Chow Tai Fook Financial Center (East Tower, the current tallest building in Guangzhou) and 700 metres apart from Guangzhou International Finance Center (West Tower, the current second tallest building in Guangzhou).

After 20 years of development, ZJNT has fostered a mature commercial and business atmosphere. There are mature commercial developments such as Huachenghui and Weijiashi Square in the surrounding area. On the east side, Xiancun is undergoing urban upgrade and redevelopment, after which the overall image of the area will be further improved.

5.2 Market Positioning

➤ Office Building

The Tower is entitled to premium quality city views such as Huacheng Square. Among International Grade A office buildings held by landlords in Guangzhou, the Tower has the highest functional office floor and the only helipad with established helicopter routes connecting Guangzhou, Shenzhen and Zhuhai. The building design is advanced, with the massive vertical floodlight system on the south façade having become a new symbol for the city. The Tower’s 30-degree counter-clockwise rotation by design enables the maximization of south-facing views, capturing the entire scenery of Huacheng Square and the Canton Tower.

Launched in July 2015, the Tower has been highly competitive in Guangzhou's Grade A office building market and attracted many high-quality and high-capacity tenants with its prime location and top-notch facilities. The tenant structure mainly comprises companies from the business services industry, financial industry and IT industry. Such tenant mix matches the business and finance niche of Tianhe CBD while also staying consistent with Guangzhou's industry planning. Enterprise tenants have included 12 tenants from Fortune Global 500 Enterprises and several tenants with headquarters established at the Tower. Since 2017, the Tower has entered a stable operation period with occupancy rate maintained at over 95% for a long time. Although the office building market has been affected by the COVID-19 pandemic in 2020, the Tower's occupancy rate remained above 92% at the end of the year, showing strong resilience.

In the future, the Tower is faced by two favourable factors that may further increase the rent. From an external environment standpoint, the successive openings of Metro Line-18 (opened in September 2021) and Phase 2 of Metro Line-13 (planned 2022) will further enhance the Tower's transportation accessibility. From an internal operation standpoint, first-round leases will soon expire to release more available space, allowing the management team to optimize the tenant structure and negotiate higher rents. Due to positive impact of the above two factors, the Tower's rent is expected to increase by a greater margin amid the openings of the new metro lines, compared to other International Grade A office buildings of the same tier in the core area of ZJNT. In 2022, after the successive openings of new metro lines, it is estimated that the Tower's rent will match the rent of other International Grade A office buildings of the same tier in the core area of ZJNT.

➤ **Parking Lot**

The leasable area of the Tower is 170,197 sq.m. and it provides 827 parking spaces, all of which are held by the landlord. The parking space area meets the standard for International Grade A office buildings. The current fees for the Tower's parking lot include the following: RMB2,200/month for fixed parking space; RMB1,800/month for non-fixed space; RMB12/hour for temporary parking.

Parking lots of Grade A office buildings in ZJNT mainly lease out their parking spaces. As the core area matures and the new supply of office buildings falls, demand for car parking will continue to increase, making parking spaces in ZJNT a scarce resource and therefore parking space rents will become one of the stable sources of income for the Tower. Based on practical demand in the future, parking spaces on each story of the Tower can accommodate addition of charging installations to adapt to the development of new energy electric vehicles. From 2021 to 2025, the average annual growth rate of the Tower's parking space rental income is expected to be 3%-5%, and the average annual growth rate of capital value is expected to be 2.5%-4.0%.

5.3 Accessibility

The Tower's location allows for easy transportation. It can be reached conveniently by car or by public transit.

Metro: next to the Women and Children’s Medical Center Station of Metro APM Line and near the Xiancun Station, the interchange station between Phase 2 of Metro Line-13 and Metro Line-18. The metro station will be within a 3-min walk from the Tower.

Bus lines: nearby bus stops include Xiancun Road North Station, which has bus routes 11, 18, 45, 230, 293 and 886, and Jinsui Road Station, which has bus routes 20, 407, 499, 583, 669, 778, b22 and Line 3 of the Tourist Bus.

Main transportation hubs: Guangzhou Baiyun International Airport is about 43 km away from the Tower, which takes around 45 minutes by car. Guangzhou East Railway Station is about 5 km away, which takes around 10 minutes by car. Guangzhou South Railway Station is about 24 km away, which takes around 40 minutes by car.

The Tower is located at the crossroads of Zhujiang East Road and Jinsui Road with excellent publicity. Around the Tower, there are Metro Line-3, Line-5, Line-18 and Metro APM Line, as well as Phase 2 of Line-13 under construction. Upon its scheduled completion in 2022, Phase 2 of Line-13 will connect with Phase 1 and become a main line connecting the east area and the west area to the central urban area. It will extend from Xintang of Zengcheng District on the east to Chaoyang of Baiyun District on the west. Line-18 (segment from Xiancun to Wanqingsha) was opened in September 2021, and extended from Guangzhou East Railway Station on the north to Wanqingsha of Nansha District on the south. It is intended to reduce travel time from the central urban area to Panyu District and Nansha District on the south. Line 18 runs at 160 kilometres per hour, making the current fastest metro line in China. The Xiancun Station will be an interchange station between Phase 2 of Line-13 and Line-18, located 200 metres away from the Tower and within a 3-minute walk. In the future, the Tower’s accessibility by rail transit will be greatly improved.

Picture 7: Planning of Rail Transit Surrounding the Tower



5.4 Summary of Market Demand

GBA Level

- The Development Plan for GBA clearly designates Guangzhou as one of the core engines of the development of the GBA, emphasizing its need to show sufficient leadership as a national centre and a comprehensive gateway city. Guangzhou shall thoroughly strengthen its functions as an international business and trade centre and a comprehensive transportation hub. It shall also cultivate and enhance its functions as a technological, educational and cultural centre, thereby building an international metropolis.
- On June 20, 2019, Guangzhou released the ‘Action Plan for Collaborative Construction of an **Internationally Competitive** Modern Industrial System in the GBA of Guangzhou’ (《廣州市協同構建粵港澳大灣區具有國際競爭力的現代產業體系行動計劃》). The plan stated that Guangzhou would **build a world-class industry cluster jointly with the other GBA cities** by setting five major industries as leading factors, including the advanced manufacturing industries, the strategic emerging industries, the modern services industries, marine economy and urban modern agriculture.

Municipal Level

- Guangzhou serves as **an important national centre, an international business and trade centre and a comprehensive transportation hub for China**. The city’s total GDP in 2020 was ranked 4th nationally, with an annual growth rate of 2.7%. The steady growth of economy in the future will drive rental and purchase demand for office buildings.
- Until 2035, Guangzhou may maintain an annual population influx of 300,000 to 400,000. According to the draft of ‘City Master Plan of Guangzhou (2017-2035)’ (《廣州城市總體規劃(2017-2035)》) released by the Guangzhou Municipal Land and Resources and Planning Commission, the permanent population of Guangzhou will be controlled at 20 million by 2035, and the service capacity of infrastructure and public facilities will be set based on a population of 25 million. The city is fully committed to building a “Beautiful and Livable Floral City” and a “Vibrant City in the World” (美麗宜居花城 活力全球城市).
- According to Phase 3 of Construction Plan of Urban Rail Transit of Guangzhou (2017-2023) (《廣州市城市軌道交通第三期建設規劃(2017—2023年)》), Guangzhou is going to construct 10 new metro lines with a total length of 258.1 km and a total investment of RMB219.6 billion. By 2023, a rail transit network with 18 lines and a total length of 800 km will be formed in Guangzhou. Based on current plans, an urban rail network of around 2,000 km will be built in Guangzhou by 2035. **Guangzhou will form a closely linked transportation network to increase its overall competitiveness.**
- Guangzhou will construct an industry function layout that is “led by one core, driven by two polarities, radiated by three ports, and supported by numerous points.” The city will strive to build new pillar industries such as a new generation of information technology, intelligent and new energy vehicles, and the biomedical and health industry. The city will accelerate the

development of intelligent equipment and robotics, new energy and energy conservation, new materials and fine chemicals, as well as other emerging advantageous industries. The city will create 3 industry zones along the Pearl River, in the south-east of the city, and in the west of the city, forming a modern industry system that is **led by strategic emerging industries, characterized by the modern services industry as the main body, and bolstered by the advanced manufacturing industries.**

Regional Level

- Cluster effect of the financial industry is remarkable. ZJNT has assembled numerous headquarters of provincial and higher-level financial institutions, making up the highest proportion in Guangzhou. Among tenants of Grade A office buildings in the area, space occupied by tenants from the financial services industry and the professional services industry accounts for 44% of total space, ranked 1st among all business districts of Guangzhou.
- Sufficient momentum for market demand. First, there is demand for enterprises to relocate from other areas to ZJNT for upgrade and renewal. Second, there is demand for enterprises to grow and expand, as driven by the rapid development of Guangzhou's economy. Third, there is demand for enterprises to settle in Guangzhou due to the attraction of increased city influence.
- As a central area integrating international finance, trade, commerce, entertainment, foreign affairs, administration and residence, ZJNT has a **mature regional environment.**

Project Level

- The Tower **has facilities above the Grade A standard**, including a super high-speed elevator with a maximum speed of 8 m/s, an intelligent elevator dispatch system, and an energy-saving air conditioning system that can effectively block PM2.5. The virus sterilization rate is 99.9% and the utilization rate of the building is 72%.
- The Tower **has a full set of commercial facilities and amenities** including the conference centre, the catering centre, fitness rooms, the dental clinic, banks, coffee shops, flower shops and galleries.
- The Tower has won numerous recognitions, including the US Green Building Council LEED EBOM V4 Platinum Certification (美國綠色建築LEED EBOM V4鉑金級), the International WELL Building Institute (IWBI) WELL V2 Platinum Pre-certification (國際WELL建築研究院WELL V2鉑金級預認證) and the Luban Award (魯班獎), which is the highest award for construction quality in China.
- Line 18 was opened in September 2021, and Phase 2 of Metro Line-13 is expected to be opened by December 2022. The Tower is only 200 m away from the Xiancun Station, which is the interchange station between these two new metro lines. The transportation accessibility of the Tower will be considerably improved.

- More than 60% of first-round leases of the Tower will expire in 2020-2021. The released space from expired leases provides benefit for the management team to optimize the tenant structure and reasonably negotiate higher rents.

- The management team is also responsible for the operations and leasing of Guangzhou International Finance Center. It may implement targeted and synergistic leasing strategies applicable to the 2 International Grade A office buildings in order to maximize the use of tenant resources.

5.5 SWOT Analysis of Yuexiu Financial Tower

Strengths

- Located in the core area of Tianhe CBD in Guangzhou.
- Complete set of ancillary facilities and mature business and commercial atmosphere in the surroundings.
- A recognized green building, awarded the ‘Green Building Council LEED EBOM V4 Platinum Certification’ in the United States, ‘International WELL Building Institute (IWBI) WELL V2 Platinum Pre-certification’, and the ‘National Three-Star Green Building Rating’ in China at the same time.
- Complete hardware installations, with intelligent, healthy, green and environment friendly equipment.
- Outstanding management team is responsible for managing both the Tower and Guangzhou International Finance Center, maximizing use of tenant resources.
- The first venture capital building in Guangzhou, attracting the entry of venture capital enterprises, which may enjoy rent subsidies for 3 consecutive years.

Weaknesses

- Although the APM line is a rail transit line connecting the Sports Center with the central axis of ZJNT, interchange with Line-1 and Line-3 requires exiting the station, reflecting a potential area of improvement for railway transit accessibility.

Opportunities

- Improved industry structure of Guangzhou will drive the demand for Grade A office buildings to upgrade.
- The Metro Line-18 opened in September 2021 will vastly improve the convenience of using railway transit for commute.
- In the future, the supply of Grade A office buildings in ZJNT will gradually decrease, and the scarcity of land resources will further manifest. It is expected that the vacancy rate of Grade A office buildings in the area will remain low while rents will continue to increase steadily.
- After the urban renewal of Xiancun is finished in the future, commercial facilities will be further completed, making the Tower more attractive.
- China is a relatively fast-recovering economy amid the pandemic. It is expected that foreign buyers will continue to favour the Chinese market and increase investments in the region as the pandemic fades.

Threats

- In the future, new supply of Grade A office buildings in Guangzhou will be primarily concentrated in Pazhou and the Financial Town. Albeit with a different positioning on industry and tenant profile, the new buildings may inevitably use a low-rent strategy to attract tenants, weakening the momentum for rent growth and causing partial loss of tenants.

Limitation of this report

This report contains forward-looking statements, bearing the views, expectations, projections or predictions of Cushman & Wakefield Limited (the “Consultant”) for the future. The Consultant hereby emphasizes that all projections and statements, except statements relating to historical facts, shall be considered as indicative assessments of the possibilities, rather than fully determined assessments. The process of projections involves assumptions on a large number of variables, which can easily be subject to changing circumstances. The Consultant would like to ask you to note that any changes in the variables may have a significant impact on the results of the projections.

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Yours sincerely,
Cushman & Wakefield Limited

An investment in real estate involves risks. Unitholders should consider carefully, together with all other information contained in this Circular, the risk factors described below before deciding to vote on the Matters Requiring Approval.

RISKS RELATING TO YUEXIU REIT

1. **Adverse global and local macroeconomic conditions could adversely affect Yuexiu REIT's business, financial condition, results of operations and cash flow**

Geopolitical tension and a trade war between the U.S. and the PRC, and the outbreak of the ongoing COVID-19, are causing significant volatility in worldwide economic and market conditions and could contribute to instability in global financial and foreign exchange markets. The effects of such instability may contribute to a decline in the economic prospects of Yuexiu REIT's current and potential tenants and the economy in general, which in turn could adversely impact the market in China and reduce the demand for the office space in the Existing Properties due to the insolvency or downturn in the business of retail and office tenants thereof.

If the financial performance of any tenants of the Existing Properties decline significantly, these tenants may be unable to pay their minimum rents or expense recovery charges and Yuexiu REIT may experience delays and costs in enforcing its rights as landlord, as well as finding sufficient numbers of replacement tenants.

The value of the Existing Properties could be adversely affected by the loss of an anchor tenant of the properties in the event that such anchor tenant files for bankruptcy or insolvency or experiences a downturn in its business, including the decision by any such tenants not to renew their leases. Space that has been vacated by an anchor tenant can reduce the demand for and value of other spaces within the properties because of the loss of the departed anchor tenant's customer drawing power. Any of these events could materially and adversely affect Yuexiu REIT's businesses and results of operation.

In addition to the impact of macroeconomic conditions, full economic recovery and long-term growth may be hindered by a number of factors, including inflation, energy costs, geopolitical instability and natural disasters. These and other issues resulting from the global economic slowdown and volatility in the financial markets may adversely affect Yuexiu REIT, its tenants and its potential property purchasers, which, in turn, may lead to a decline in the general demand for the properties. In addition, any further tightening of liquidity in the global financial markets may adversely affect Yuexiu REIT's liquidity and access to financing. As such, in the event of global economic slowdown and turmoil in the financial markets, Yuexiu REIT's business, financial condition, results of operations and cash flow may be adversely affected. In particular, Yuexiu REIT may be affected by, among other things, the following:

- the reduced ability of its tenants to pay rent in a timely manner or at all;
- the reduction of, or fluctuations in, demand for office space, which would result in vacancies or reductions in leased space, as well as potential oversupply;
- possible downward pressure on rental rates, operating income and profits;

- the reduction of or fluctuations in liquidity, and potential difficulty in securing financing; and
- an increase in counterparty risk.

2. Acts of God, acts of war, occurrence of epidemics and pandemics and other disasters could affect the operations of Yuexiu REIT and the national and regional economies in the PRC

Yuexiu REIT and the Property are subject to general economic and social conditions in the PRC. Natural disasters such as fires and earthquakes, epidemics and pandemics such as COVID-19, human swine flu, also known as Influenza A (“H1N1”), H5N1 avian flu or severe acute respiratory syndrome (“SARS”), and acts of God that are beyond Yuexiu REIT’s control may adversely affect the economy, infrastructure and livelihood of the PRC residents. There have been several outbreaks of infectious diseases in recent years, particularly in Asia. In March 2020, the World Health Organisation (the “WHO”) declared the outbreak of COVID-19 to be a pandemic. The PRC experienced occurrences of COVID-19 in various parts of the country, including over 80,000 confirmed human cases and over 4,000 deaths, which adversely affected the PRC’s economy and the condition of its real estate markets. Prior to that, in June 2009, the WHO declared the outbreak of H1N1 to be a pandemic, following which the governments of many regions implemented quarantine and other preventive measures.

A disaster, renewed outbreak of diseases or widespread public health problems in Guangzhou or elsewhere in the PRC, or fears concerning such outbreaks or problems, could have a material adverse effect on the economies and property markets of Guangzhou, and, consequently, on Yuexiu REIT’s business, financial condition and results of operations. The perception that an outbreak of contagious disease may occur again may also have an adverse effect on general economic conditions in Asia.

Acts of war and terrorist attacks may cause damage or disruption to the Property, and affect the overall economy and real estate markets in the PRC. The potential for war or terrorist attacks may also cause uncertainty and cause Yuexiu REIT’s business to be adversely affected in ways that currently cannot be predicted.

3. RMB is not freely convertible. There are significant restrictions on the remittance of RMB into and out of the PRC, and the ability of Project Companies to remit RMB to Hong Kong and the ability of Yuexiu REIT to make distributions may be subject to future limitations imposed by the PRC government

The Project Companies receive all of their revenue in RMB, and RMB is not freely convertible at present. The PRC government continues to regulate conversion between RMB and foreign currencies, including the HKD, despite significant relaxation over the years of the PRC government’s control over routine foreign exchange transactions on the current account.

As advised by the Manager’s Tax Advisers, PricewaterhouseCoopers Limited, the retained earnings of the Project Companies will be subject to a withholding tax at the rate of 10% or 5% (in the case that preferential tax treatment could be applied successfully pursuant to the China-Hong Kong Double Tax Treaty) when remitted based on the business nature of the Intermediary Entities. The PRC Legal Advisers of the Manager, King & Wood Mallesons, has further advised that, there is

no legal impediment on the remittance of dividends on retained earnings of the Project Companies through the HK SPV out of the PRC to the Target Company, provided that such remittance is made and tax-levied in accordance with the procedures set out under the relevant PRC foreign investment, tax and foreign exchange laws and regulations.

However, there is no assurance that the PRC government will continue to gradually liberalise the level of control over cross-border RMB remittance in the future or that new PRC regulations restricting RMB remittance into or out of the PRC will not be promulgated in the future which have the effect of restricting the remittance of RMB into or out of the PRC. If, due to the relevant PRC laws and regulations and/or administrative reasons, there is any delay in the remittance of RMB indirectly from the Project Companies to Yuexiu REIT and/or the conversion of RMB to HKD, there could be a delay in the timing of payment of distributions to the Unitholders. Further, if the Project Companies are not able to repatriate funds out of the PRC in RMB, Yuexiu REIT's ability to pay distributions to the Unitholders will be affected.

4. Fluctuations in the value of RMB could affect the amount of distributions to Unitholders, market value and Unit price

The PRC government introduced a limited floating currency system in July 2005 under which the RMB is pegged against a basket of currencies. The exchange rates between the RMB and each of the other currencies comprised in the basket may fluctuate to a significant extent and the RMB may also be revalued in the future. In addition, if the PRC converts to a fully floating currency system, the RMB may experience wide fluctuations as a result of market forces.

Yuexiu REIT receives all its revenue in RMB, which will have to be converted to HKD for payment as distributions to Unitholders. A substantial portion of Yuexiu REIT's borrowings are denominated in HKD or USD. Any decrease in the value of the RMB may adversely affect accounting profit of Yuexiu REIT and will adversely affect the value of distributions to Unitholders which are paid in HKD.

5. Any limitation on the ability of the entities controlled by Yuexiu REIT to make distribution payments could affect Yuexiu REIT's ability to pay distributions to the Unitholders

Yuexiu REIT shall hold the entire interest in the Property through the Target Group. Dividend payments by Project Companies will be made indirectly to Yuexiu REIT. Yuexiu REIT relies on such dividend payments and other payments and/or distributions for its income and cash flows to satisfy its payment obligations and to make distributions to Unitholders. PRC regulations currently permit PRC subsidiaries (such as Project Companies) to pay dividends only out of their retained profits, if any, as determined in accordance with PRC accounting standards and regulations. The profits available for distribution by Project Companies are determined in accordance with CAS. Such profits available for distribution by such entities may differ from the profits available for distribution by Yuexiu REIT, which will be determined using HKFRS. CAS and HKFRS differ in certain significant respects, including but not limited to differences in the accounting treatments of depreciation, amortisation and impairment loss in the properties and other fixed assets of Project Companies and

deferred tax thereon. Thus, the amount of profit which is available for distribution by Project Companies as determined pursuant to the relevant PRC laws and accounting requirements could be less than the amount of any distribution determined to be payable by Yuexiu REIT to the Unitholders under HKFRS pursuant to its distribution policy.

In addition, PRC subsidiaries are required to set aside a certain amount of their retained profits each year, if any, to fund certain statutory reserves. These reserves may not be distributed as cash dividends. Accordingly, the ability of Project Companies to make distributions may therefore be restricted by, among other things, its business and financial condition and the availability of distributable profits, which in turn, may affect the net operating profit generated by Yuexiu REIT.

The ability of the Project Companies to make distributions may also be restricted by applicable laws and regulations (that may restrict the repatriation in RMB or other currencies of rental and other income by the Project Companies out of the PRC). See the section above headed “RMB is not freely convertible. There are significant restrictions on the remittance of RMB into and out of the PRC, and the ability of the Project Companies to remit RMB to Hong Kong and the ability of Yuexiu REIT to make distributions may be subject to future limitations imposed by the PRC government”.

6. Risks associated with leveraging and limitations on Yuexiu REIT’s ability to leverage, Yuexiu REIT’s current and future borrowings and dependence on external financing for Acquisition Completion

Yuexiu REIT will enter into the new facility summarised in section 5.4 headed “Financing of the Acquisition — New Bank Facility” in this Circular, and expects to fully draw down on that facility at Acquisition Completion to partially fund the Acquisition Consideration. In addition, Yuexiu REIT may also use leverage in connection with its other investments, and may, from time to time, require additional debt financing to fund working capital requirements, to support the future growth of its business, to achieve its investment strategies and/or to refinance existing debt obligations. Borrowings by Yuexiu REIT are subject to the borrowing limits under the REIT Code which currently limit the gearing ratio to 50.0%. If the 50.0% borrowing limit is crossed (for example where there is a decrease in the value of Yuexiu REIT’s properties as a result of a revaluation), Yuexiu REIT will not be allowed to incur additional borrowings until its Gearing Ratio falls below 50.0%. This may potentially affect the Manager’s ability to carry out any plans involving a large capital requirement (including asset enhancement projects or acquisitions).

Yuexiu REIT’s Gearing Ratio immediately following Acquisition Completion is expected to be approximately 41.0%. The Manager believes that this level is prudent under the current market conditions and is within the borrowing limit under the REIT Code. However, there can be no assurance that Yuexiu REIT’s borrowings will not cross such borrowing limit due to circumstances beyond the Manager’s control.

Furthermore, Yuexiu REIT will be subject to risks normally associated with debt financing. Payments of principal and interest on borrowings may leave Yuexiu REIT with insufficient cash resources to operate its properties or make distributions to Unitholders as required under the REIT Code. Yuexiu REIT's level of debt and the limitations imposed on it by its current or future loan agreements could have significant adverse consequences, including, but not limited to, the following: (i) its cash flow may be insufficient to meet its required principal and interest payments; (ii) it may be unable to borrow additional funds as needed or on commercially acceptable terms; (iii) it may be unable to refinance its indebtedness upon maturity or the refinancing terms may be less favourable than the terms of the original indebtedness; (iv) it may default on its obligations and the lenders or mortgagees may foreclose on its properties and require a forced sale of the mortgaged property, or foreclose on its interests in the entities that own the properties and require a forced sale of those entities; (v) it is subject to restrictive covenants and may be subject to similar restrictive covenants in future loan agreements, which limit or may limit or otherwise adversely affect Yuexiu REIT's operations, such as its ability to incur additional indebtedness, acquire properties, make certain other investments, make capital expenditures, or make distributions to Unitholders, and affirmative covenants, which may require them to set aside funds for maintenance or repayment of security deposits; (vi) it may violate restrictive covenants under current facility agreement and in future loan documents, which would entitle the lenders to accelerate its debt obligations; and (vii) its default under any one of its loan agreements could result in a cross default under other indebtedness, which may result in the lending banks enforcing the security and demanding immediate payment of all outstanding loans and other sums payable under such loan agreements.

If any one or more of these events were to occur, Yuexiu REIT's financial condition, results of operations, cash flow, cash available for distributions to Unitholders, Unit price and/or its ability to satisfy its debt service obligations could be materially adversely affected.

7. Yuexiu REIT's credit ratings may be subject to change as a result of the financing structure for the Acquisition, which may impact its costs of financing in the future

Yuexiu REIT intends to maintain an investment grade credit rating. As part of the proposed financing structure for the Acquisition, Yuexiu REIT will take out a new facility as summarised in section 5.4 headed "Financing of the Acquisition — New Bank Facility" in this Circular, and is expected to fully draw down on that facility at Acquisition Completion to partially fund the Acquisition, the Gearing Ratio of the Enlarged Portfolio taking into consideration the New Bank Facility is expected to increase to approximately 41.0% upon Acquisition Completion. Yuexiu REIT's credit rating may be reduced as a result of the increases in the amount of debt, interest payments and capital expenditures. There is no assurance that Yuexiu REIT's credit rating will be restored upon repayment or settlement of any of Yuexiu REIT's outstanding indebtedness. Such reduction may damage Yuexiu REIT's reputation or ability to obtain debt financing in the future, which may delay any acquisition plans Yuexiu REIT may have or otherwise restrict its business activities.

8. Decreases in property values as a result of the revaluation of the properties could result in a decrease in the annual consolidated net profit of Yuexiu REIT for that year and may also trigger certain events of default which may lead to adverse consequences under certain facility agreements

The Existing Properties are subject to regular revaluation as required under the REIT Code. Under Yuexiu REIT's accounting policy as currently required under the REIT Code and by applicable HKFRS, any decrease in the valuation of its investment property could result in non-cash charges to the statement of comprehensive income, and may give rise to a substantial decline in annual consolidated net profit. Under the Trust Deed, Total Distributable Income for a financial year is the amount calculated by the Manager (based on the audited financial statements of Yuexiu REIT for that financial year) as representing the consolidated audited net profit after tax of Yuexiu REIT and its subsidiaries for that financial year, as adjusted to eliminate the effect of Adjustments. While the Manager may (but is not obliged to as they are not Adjustments) include in its annual distribution amounts referable to any unrealised property revaluation losses, as any unrealised property revaluation losses will reduce Yuexiu REIT's total gross asset value, the Manager's ability to do so is subject to, and may be constrained by, compliance with the gearing ratio prescribed by the REIT Code, which currently limits Yuexiu REIT's borrowings to no more than 50.0% of Yuexiu REIT's total gross asset value.

In the event a property revaluation results in a reduction in gross asset value, Yuexiu REIT's borrowings as a proportion of total gross asset value may rise above the applicable borrowing limit requirement, and trigger certain events of default which may lead to adverse consequences under certain facility agreements.

9. Yuexiu Property is a Substantial Unitholder of Yuexiu REIT. There are potential conflicts of interest between Yuexiu REIT, the Manager and Yuexiu Property

As at the Latest Practicable Date, For the purpose of the REIT Code, Yuexiu Property is deemed to have a 38.7% interest in Yuexiu REIT, and is therefore a Substantial Unitholder. Yuexiu Property, its subsidiaries and associates are engaged in, and/or may engage in, amongst other things, investment in, the development and management of properties in Guangzhou and elsewhere. There may therefore be circumstances in which Yuexiu REIT competes, or may compete, directly or indirectly with Yuexiu Property, its subsidiaries and/or associates, for property acquisition, leasing opportunities and competition for tenants. Yuexiu REIT may also acquire properties or other assets from any of them in the future. There can be no assurance that the interests of Yuexiu REIT will not conflict with or be subordinated to those of Yuexiu Property in such circumstances.

10. Yuexiu REIT's growth depends on external sources of capital which are outside of its control

In order to maintain Yuexiu REIT's qualification as a REIT, it is required under the REIT Code to annually distribute at least 90% of its audited annual net income after tax. In addition, the Manager has the discretion to distribute any additional amounts (including capital). Therefore, Yuexiu REIT may not be able to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, it may need to rely on external sources of funding to expand its

portfolio, which may not be available on commercially acceptable terms or at all. If Yuexiu REIT cannot obtain capital from external sources, it may not be able to acquire properties when strategic opportunities exist, satisfy its debt service obligations or make the cash distributions to the Unitholders necessary to maintain its qualification as a REIT.

11. The forward-looking information in this Circular may prove inaccurate

This Circular contains forward-looking statements that are based on a number of assumptions which are subject to significant uncertainties and contingencies, many of which are outside of Yuexiu REIT's control. While the Manager considers such assumptions to be reasonable, such risks uncertainties and contingencies may cause the forward-looking statements to be inaccurate.

RISKS RELATING TO THE ACQUISITION

12. The representations, warranties and indemnities under the Acquisition Deed are subject to limitations, and failure by the Vendor and Yuexiu Property to fulfil its obligations under the Acquisition Deed may have a material adverse effect on Yuexiu REIT's operations

The Acquisition Deed contains customary representations and warranties (including fundamental warranties relating to title to the Sale Shares and to the Property, and other warranties relating to tax and compliance with all applicable laws and regulations by the members of the Target Group in conducting their respective businesses) to be made by the Vendor in respect of the members of the Target Group and the Property.

The maximum aggregate liability of the Vendor in respect of claims under the warranties and Relevant Indemnity Claims shall not exceed the Agreed Acquisition Amount, and is subject to a minimum per claim threshold of RMB3.2 million. Such claims shall only be recoverable from the Vendor if the aggregate amount recoverable in respect of all claims exceeds RMB12 million and the Vendor will be liable for the entire amount. The Acquisition Deed also provides for a limitation period of three years from the Acquisition Completion Date for claims under the warranties and Relevant Indemnity Claims (other than those claims relating to tax warranties and the Relevant Indemnity Claims which pertain to tax warranties, in which case the limitation period is seven years from the Acquisition Completion Date).

Further, the Vendor's liabilities in respect of any claim made against any indemnity (save for the Relevant Indemnity Claims) shall not be subject to the limitations on the minimum per claim threshold, the aggregate amount recoverable threshold or the maximum aggregate liability set out above. A limitation period of seven years from the Acquisition Completion Date would apply to claims under the tax covenants, Relevant Indemnity Claims which pertain to the tax warranties and the indemnities, save for: (a) the Relevant Indemnity Claims that do not relate to tax warranties in respect of which the limitation period shall be three years; and (b) claims under the indemnities for the non-compliances described in sections 3.6.1 to 3.6.4 in this Circular in respect of which the imitation period shall end upon the expiry of the land use rights pertaining to the relevant premises of the Property that such claims are concerned.

For a further description of the obligations of the Vendor and Yuexiu Property under the Acquisition Deed, see section 2.2.3 headed “The Acquisition — Key terms of the Acquisition Deed — Conditions precedent under the Acquisition Deed” and section 2.2.6 headed “The Acquisition — Key terms of the Acquisition Deed — Representations, warranties and indemnities in the Acquisition Deed” in this Circular. There is no assurance that any breaches by the Vendor and/or Yuexiu Property of the representations, warranties and indemnities can be identified and claimed within such limitation period or that Yuexiu REIT will be compensated for all losses or liabilities suffered or incurred as a result of such breaches. Failure by the Vendor and Yuexiu Property to fulfil any of the obligations under the Acquisition Deed may have a material adverse effect on Yuexiu REIT’s operations.

13. In calculating Total Distributable Income, there is no assurance that the Manager will disregard expenses incurred in connection with the Acquisition, as contemplated under its distribution policy, should the Acquisition fail to complete

In determining the Adjustments for the purposes of calculating Total Distributable Income, the Manager’s policy is to make an adjustment for expenses charged to the profit and loss account in connection with a completed acquisition of an asset or business which is funded by proceeds from the issue of new Units (see definition of Adjustments).

However, the Manager’s policy is not applicable to acquisitions which are not completed. There is no assurance that the Manager can complete the Acquisition. If Acquisition Completion does not occur, the Manager will not make adjustments for the One-Off Fees and Charges (which are estimated to be approximately RMB64.5 million). Unitholders should be aware that the total distribution may be adversely affected in that case.

14. Completion of the Acquisition will depend on external financing

The completion of the Acquisition is conditional upon, among others, the despatch of the Rights Issue Offer Documents prior to or concurrently with the Acquisition Completion and the loan amount under the New Bank Facility being available for drawdown at Acquisition Completion. For further details on the conditions precedent for the Rights Issue and the conditions precedent under the Acquisition Deed, please refer to section 5.2.15 headed “Financing of the Acquisition — Rights Issue — Conditions of the Rights Issue” and section 2.2.3 headed “The Acquisition — Key terms of the Acquisition Deed — Conditions precedent under the Acquisition Deed” in this Circular. As a result, if Yuexiu REIT is unable to obtain the necessary financing (whether from the proceeds of the Rights Issue and/or under the New Bank Facility), it will be unable to proceed with or complete the Acquisition.

15. The issue of the Rights Issue Units may dilute the ownership interest of existing Unitholders to a substantial degree and adversely affect the market price of the Units.

The issue of the Rights Issue Units may dilute the ownership interests of the existing Unitholders to a substantial degree. Rights Issue Qualifying Unitholders who do not take up the Rights Issue Units to which they are entitled should note that their unitholdings will be further diluted. Any sales in the public market of the Units could adversely affect the prevailing market price for the Units.

16. The Reverse Merger may not complete before Acquisition Completion or at all.

As disclosed in the section 4.3 headed “Holding Structure of the Property and Reverse Merger — Reverse Merger” in this Circular, the PRC Intermediary Companies and the Project Companies will merge by the Project Companies’ absorption of the PRC Intermediary Companies.

The Reverse Merger requires tax and companies deregistration in respect of the PRC Intermediary Companies with the relevant local government authorities, which has not been completed as at the Latest Practicable Date, and accordingly remains subject to the approval of such authorities. Based on the advice of the Manager’s PRC Legal Advisers, who have confirmed: (i) the remaining steps required to effect the Reverse Merger are expected to be completed in or before April 2022; (ii) there are no material risks or legal impediments to completion of such steps (including obtaining the relevant approvals from the relevant authorities); (iii) there are no impediments that will cause delay in the completion of the Reverse Merger; and (iv) the Reverse Merger is legal and valid under the relevant PRC laws and regulations. However, in the event that such approval is not granted and the Reverse Merger cannot be completed by Acquisition Completion or by such timing or at all, Yuexiu REIT’s income and distributions to the Unitholders may be adversely affected.

Unitholders should also be aware that the financial effects of the Acquisition set out in section 9.2 headed “Financial Effects of the Acquisition and the Rights Issue — Pro forma DPU” in this Circular also show the impact on DPU on a pro forma basis if the Reverse Merger had been completed at the relevant date. Therefore, if the Reverse Merger cannot be completed by the abovementioned timing or at all, the financial effects of the Acquisition may be materially different from those shown in that section of this Circular.

RISKS RELATING TO THE PROPERTY**17. Yuexiu REIT may be unable to renew leases, lease vacant space or re-lease space as Property leases expire**

As at 30 September 2021, approximately (i) 17.4%, 10.5%, 24.8%, 14.6% and 32.7% of leases (calculated in terms of gross rented area) in respect of the office portion of the Property were scheduled to expire during the years ending 31 December 2021, 2022, 2023, 2024 and 2025 and beyond, respectively. The Manager cannot assure that such leases will be renewed or that new leases will be entered into for the vacant spaces at rental equal to or above the current rental upon or promptly after the expiry of the current leases. Tenants of the Property may also decide not to renew their leases or to terminate their leases early, and Yuexiu REIT may not be able to re-lease the space. If the occupancy rate and/or rental for the Property decreases, Yuexiu REIT’s financial condition, results of operations, cash flow, Unit price and/or its ability to satisfy its debt service obligations could be materially adversely affected.

18. The Project Companies may face difficulties when they seek to extend the term of land use rights upon expiry of the term of such land use rights

The land and real estate laws of the PRC, including laws relating to land use right and ownership regulations and laws applicable to landlords and tenants, are still under development and reform. In recent years, the National People’s Congress, the State Council, the Ministry of Natural Resources

and the Ministry of Housing and Urban-Rural Development of the PRC have promulgated a number of laws and regulations and departmental rules relating to legal problems in respect of land and real estate. In addition, the local people's congresses and local governmental authorities in many provinces and cities have also promulgated various local regulations or local rules. There may be uncertainties in the interpretation and application of these laws, administrative regulations, departmental rules, local regulations and local rules, and the Manager cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. These uncertainties could limit the legal protections available to Yuexiu REIT. In addition, any litigation in PRC may be protracted and result in substantial costs and diversion of Yuexiu REIT's resources and management attention.

The term of land use rights for the Property will expire on 15 April 2057 in respect of the office portion of the Property and the Carpark Spaces, and on 15 April 2047 in respect of the retail portion of the Property. It is expected that the Project Companies will, prior to this date, submit an application for extension of the land use rights. Under the current applicable PRC laws and regulations, the application for extension of non-residential land use rights will typically be approved except for public interest considerations concerning the land. Where the application for extension of land use rights is granted, a new land grant contract must be executed and a premium must be paid by Project Companies in respect of the relevant land use rights and additional conditions may also be imposed. The current PRC laws and regulations do not specify the terms and conditions of such new land grant contract or the amount of such premium. In certain circumstances, the PRC Government may, where it considers it to be in the public interest, terminate land use rights and expropriate the land before the expiration of the term. In addition, the PRC Government has the right to terminate long-term land use rights and withdraw early the land in the event the grantee fails to observe or perform certain terms and conditions pursuant to the land use rights grant contracts. In the event that Yuexiu REIT's application for extension of the land use right for the Property is granted, but the terms and conditions of the new land grant contracts are less favourable than the existing land grant contracts, or there is a significant increase in the premium payable by Project Companies, the business operations of Project Companies, and in turn Yuexiu REIT's financial condition, results of operations, cash flow, Unit price and/or its ability to satisfy its debt service obligations, could be materially adversely affected.

In the event that the application for extension of land use rights for the Property is not approved, the land use rights, together with the buildings and auxiliaries thereon, must be returned to the PRC government for no consideration when the land use rights expire and Yuexiu REIT would lose the entire value of its interest in the Property. In that case, the business operations of the Project Companies, and in turn Yuexiu REIT's financial condition, results of operations, cash flow, Unit price and/or its ability to satisfy its debt service obligations, could be materially adversely affected.

19. The due diligence survey on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies

Prior to the entry into of the Acquisition Deed, the Manager instructed the Building Consultant to conduct a physical and technical inspection and investigation of the Property. Nevertheless, there can be no assurance that such reviews, surveys or inspections would have revealed all defects or deficiencies affecting the Property.

In particular, there can be no assurance as to the absence of: (i) latent or undiscovered defects or deficiencies; or (ii) inaccuracies or deficiencies in such reviews, surveys or inspection reports, any of which could have a material adverse impact on Yuexiu REIT's business, financial condition and results of operations.

If the Property has design, construction or other latent property or equipment defects, these may require additional capital expenditure, special repair or maintenance expenses or the payment of damages or the incurring of other obligations to third parties. Costs or liabilities arising from such property or equipment defects may involve significant and potentially unpredictable patterns and levels of expenditure which may have a material adverse effect on Yuexiu REIT's earnings and cash flows.

20. Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow

If the Property has design, construction or other latent property or equipment defects, these may require additional capital expenditure, special repair or maintenance expenses or the payment of damages or the incurring of other obligations to third parties. Costs or liabilities arising from such property or equipment defects may involve significant and potentially unpredictable patterns and levels of expenditure which may have a material adverse effect on Yuexiu REIT's earnings and cash flows.

Statutory or contractual representations, warranties and indemnities given by any seller of real estate or company holding an interest in real estate are unlikely to afford satisfactory protection from costs or liabilities arising from such property or equipment defects.

21. The Property is subject to concentration risk. The departure of major tenants at the Property may have a material adverse effect on Yuexiu REIT's business, financial condition and results of operations

The top ten tenants of the Property account for approximately 43.0% of total monthly rent as at 30 September 2021. Members of the Yuexiu Connected Persons Group are on a combined basis the Property's largest tenant as at 30 September 2021, and contributed approximately 25.5% of total monthly rent of the Property. The departure of major tenants at the Property could materially reduce Yuexiu REIT's rental income if Yuexiu REIT is unable to find replacement tenants or if Yuexiu REIT leases the space at a lower rate than applicable to the departing tenant, which could have a material adverse effect on Yuexiu REIT's business, financial condition and results of operations.

22. The Property is exposed to the risk of tenant delinquency and default in the overall office property market in Guangzhou

The operating income of the Property may be adversely affected by the insolvency or downturn in the business of office tenants. If the financial performances of office tenants operating in the Property decline significantly, these tenants may be unable to pay their minimum rents or expense recovery charges. In the event of defaults by tenants whose rents make up the operating income of the Property, Yuexiu REIT is likely to experience delays and costs in enforcing its rights as landlord, as well as finding sufficient number of replacement tenants.

The value of the Property could be adversely affected by the loss of an anchor tenant in the event that such anchor tenant files for bankruptcy or insolvency or experiences a downturn in its business, including the decision by any such tenants not to renew their leases. Space that has been vacated by an anchor tenant can reduce the demand for and value of other spaces within that Property because of the loss of the departed anchor tenant's customer drawing power. Any of these events could materially and adversely affect Yuexiu REIT's businesses and results of operation.

Tenants of the Property may also decide not to renew their leases or to terminate their leases early, and Yuexiu REIT may not be able to re-let the space. The Manager cannot assure that leases will be renewed or that the Property will be re-leased at rental rates equal to or above the current average rental rates. If the rental rates for the Property decrease, or Yuexiu REIT's existing tenants do not renew their leases or Yuexiu REIT does not re-let a significant portion of the spaces for which leases are scheduled to expire, Yuexiu REIT's business, financial condition, results of operations, cash flow and cash available for distributions to Unitholders could be materially and adversely affected.

23. The appraisal of the Property is based on various assumptions and the price at which Yuexiu REIT is able to sell its entire interest in the Property may be different from the Appraised Value or the Agreed Acquisition Amount

The valuation of the Property prepared by Colliers International (Hong Kong) Limited, the principal valuer of Yuexiu REIT, is set out in Appendix 5 to this Circular. In conducting its valuation, the Independent Property Valuer made use of the income capitalisation method cross-referenced with qualified use of the direct comparison method. The valuation was based on certain assumptions, which, by their nature, are subjective and uncertain and may differ materially from actual measures of the market. In addition, property valuations generally, and the valuation conducted by the Independent Property Valuer in particular, include a subjective determination of certain factors relating to the Property, such as its relative market position, financial and competitive strengths, location, and physical condition. Accordingly, there can be no assurance that the assumptions are accurate measures of the market or the Property. Further, the appraised value of a property is not an indication of, and does not guarantee, a sale price at that value at present or in the future. The price at which Yuexiu REIT may subsequently sell the Property or any portion thereof may be lower than the Appraised Value or the Agreed Acquisition Amount.

24. The Property may be compulsorily acquired or expropriated by the PRC government

The PRC government has the power to compulsorily acquire any land in the PRC to meet the demand of public interest pursuant to the provisions of applicable legislation. In the event of any compulsory acquisition of property in the PRC, the amount of compensation to be awarded is based on the open market value of a property and is assessed on the basis prescribed in the relevant law. If the Property is compulsorily acquired by the PRC government, the level of compensation paid to Yuexiu REIT pursuant to this basis of calculation may be less than the Acquisition Consideration and/or the fair value of Yuexiu REIT's entire interest in the Property as shown in Yuexiu REIT's financial statements.

RISKS RELATING TO THE REAL ESTATE INDUSTRY AND THE PRC**25. There are general risks attached to investments in real estate and the Property**

Investments in real estate are subject to various risks, including, but not limited to: (1) adverse changes in political or economic conditions; (2) adverse local market conditions; (3) the financial condition of tenants and buyers and sellers of properties; (4) changes in availability of debt or equity financing, which may result in an inability by Yuexiu REIT to finance future acquisitions on favourable terms or at all; (5) changes in interest rates and other operating expenses; (6) changes in environmental laws and regulations, zoning laws and other governmental rules and fiscal policies; (7) environmental claims arising in respect of real estate; (8) changes in market rents; (9) changes in energy prices; (10) changes in the relative popularity of property types and locations leading to an oversupply of space or a reduction in tenant demand for a particular type of property in a given market; (11) competition among property owners for tenants which may lead to vacancies or an inability to rent space on favourable terms; (12) inability to renew leases or re-let space as existing leases expire; (13) inability to collect rents from tenants on a timely basis or at all due to bankruptcy or insolvency of tenants or otherwise; (14) insufficiency of insurance coverage or increases in insurance premiums; (15) increases in the rate of inflation; (16) inability of the Manager to provide or procure the provision of adequate maintenance and other services; (17) defects affecting the Property which need to be rectified, or other required repair and maintenance of the Property, leading to unforeseen capital expenditure; (18) unapproved uses of the Property which may result in the Project Companies being in breach of the terms and conditions in the relevant land use rights, which may give rise to the right on the part of the relevant PRC governmental authority to terminate the land use rights and re-enter the property; (19) considerable dependence on cash flows for the maintenance of, and improvements to, the Property; (20) increased operating costs, including real estate taxes; and (21) any interest and encumbrance that cannot be or has not been revealed by a land search and title search conducted at the relevant land resources and planning administrative bureau and real estate registration centre at the time of the search.

Many of these factors may cause fluctuations in occupancy rates, rental rates or operating expenses, resulting in a materially adverse effect on the value of real estate and income derived from real estate. The annual valuation of the Property will reflect such factors and as a result, such valuation may fluctuate significantly upwards or downwards. The capital value of the Property may be significantly diminished in the event of a sudden downturn in real estate market prices or the economy in Guangzhou or the PRC.

26. Yuexiu REIT may be adversely affected by the illiquidity of property investments

Property investments are relatively illiquid, particularly investments in high value properties such as those in which Yuexiu REIT has already invested or intends to invest, including the Property. Such illiquidity may affect Yuexiu REIT's ability to vary its investment portfolio or liquidate part of the Property in response to changes in economic, property market or other conditions. For example, Yuexiu REIT may be unable to liquidate its assets on short notice or may be forced to agree to a substantial reduction in the price that may otherwise be sought for such assets, to ensure a quick sale. In addition, Yuexiu REIT may face difficulties in securing timely and commercially favourable

financing in asset-based lending transactions secured by real property due to the illiquid nature of real property assets. These factors could have an adverse effect on Yuexiu REIT's business, financial condition or results of operations, with a consequential adverse effect on Yuexiu REIT's ability to make expected distributions to Unitholders.

27. Yuexiu REIT may suffer material losses in excess of insurance proceeds

The Property could suffer physical damage caused by fire or other causes and Yuexiu REIT may suffer public liability claims, resulting in losses (including loss of rent) which may not be fully compensated by insurance proceeds. In addition, there are other types of losses, such as those resulting from war, terrorism, nuclear contamination and earthquakes, for which Yuexiu REIT cannot obtain insurance at a reasonable cost or at all. Should an uninsured loss or a loss in excess of insured limits occur, Yuexiu REIT could be required to pay compensation and/or lose the capital invested in the Property as well as anticipated future revenue from the Property. Nonetheless, Yuexiu REIT would remain liable for any debt or other financial obligation related to the Property. It is also possible that third party insurance carriers will not be able to maintain reinsurance sufficient to cover any losses that may be incurred. Any material uninsured loss with respect to the Property could materially adversely affect Yuexiu REIT's business, financial condition or results of operations.

In addition, Yuexiu REIT will have to renew its insurance policies every year and negotiate acceptable terms for coverage, exposing it to the volatility of the insurance markets, including the possibility of rate increases for premiums. The Manager will regularly monitor the state of the insurance market, but it cannot anticipate what coverage will be available on commercially reasonable terms in future policy years. Any material increase in insurance rates or decrease in available coverage in the future could adversely affect Yuexiu REIT's business, financial condition or results of operations or expose Yuexiu REIT to the risk of material losses in excess of insurance proceeds.

Yuexiu REIT could incur significant costs or liability related to environmental and fire control matters.

Yuexiu REIT's operations are subject to various environmental and fire control laws, including those relating to air pollution control, water pollution control, waste disposal, noise pollution control, fire services control and the storage of dangerous goods. Under these laws, an owner or operator of real property may be subject to liability, including a fine or imprisonment, for air pollution, noise pollution or the presence or discharge of hazardous or toxic chemicals or non-compliance with fire services control at that property. In addition, Yuexiu REIT may be required to make capital expenditures to comply with these environmental and fire control laws. The presence of contamination, air pollution, noise pollution or dangerous goods without a valid licence or the failure to remedy contamination, air pollution, noise pollution or dangerous goods or non-compliance with fire services control measures may expose Yuexiu REIT to liability or materially adversely affect its ability to lease the real property or to borrow using the real property as collateral.

28. Changes in the PRC's economic, political and social conditions as well as governmental policies could affect Yuexiu REIT's business

The economy of the PRC differs from the economies of most developed countries in many respects, including (a) economic and political structure, (b) level of development, (c) growth rate, (d) control of foreign exchange, and (e) allocation of resources.

While the PRC government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy and the PRC economy has experienced significant growth in the past 40 years, growth has been uneven, both geographically and among different sectors of the economy. The PRC government authorities from time to time implement various macroeconomic and other policies and measures, including contractionary or expansionary policies and measures at times of, or in anticipation of, changes in PRC's economic conditions. In addition, the PRC government continues to regulate industry development by imposing top-down policies and control over the PRC's economic growth through various means such as the allocation of resources, monetary policy, control over foreign currency denominated payment obligations and provision of preferential treatment to particular industries and companies. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. Although the Manager believes the reforms will have a positive effect on Yuexiu REIT's overall and long-term development, it cannot predict whether changes in the PRC's economic and other policies will have any adverse effect on Yuexiu REIT's current or future business and financial conditions and results of operations.

29. It may be difficult to enforce judgements obtained from non-PRC courts in the PRC

The Project Companies are incorporated in the PRC and the Property is located in the PRC. The Project Companies may be required to enforce in the PRC judgements obtained from courts of other jurisdictions. A judgement of a court of another jurisdiction may be reciprocally recognized or enforced in the PRC if that jurisdiction has a treaty with the PRC or if judgements of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of prescribed requirements. The PRC does not have treaties providing for the reciprocal acknowledgement and enforcement of judgements of courts with the United States and many other western countries. As a result, recognition and enforcement in the PRC of judgements of a court in any of these jurisdictions may be difficult.

30. Uncertainties with respect to the PRC legal system could limit the protections available to Yuexiu REIT

As the Property is located in the PRC, its operation is governed principally by laws and regulations in the PRC. The PRC legal system is based on written statutes. Prior court decisions may be cited as reference but have limited precedential value. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, and due to the limited volume of published cases and their non-binding nature, any particular interpretation of the PRC laws and regulations may not be definitive. Further, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to Yuexiu REIT. For example, we may have to resort to administrative and court proceedings to enforce legal protections under law or contract. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate and predict the outcome of the PRC administrative and court proceedings and the enforceability of rights in the PRC as compared to more developed legal systems.

The land and real estate laws of the PRC, including laws relating to land title and building ownership regulations and laws applicable to landlords and tenants, are still under development and reform. In recent years, the National People's Congress, the State Council, the Ministry of Natural Resources and the Ministry of Housing and Urban-Rural Development have promulgated a number of laws and regulations and departmental rules relating to legal problems in respect of land and real estate. In addition, the local people's congresses and local governmental authorities in many provinces and cities have also promulgated various local regulations or local rules. There may be uncertainties in the interpretation and application of these laws, administrative regulations, departmental rules, local regulations and local rules, and we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. These uncertainties could limit the legal protections available to Yuexiu REIT. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management attention.

31. Accounting standards in China are subject to change

The financial statements of Yuexiu REIT may be affected by the changes made to the accounting standards in China. The extent and timing of these changes in accounting standards are currently unknown. The Manager has not quantified the effects of such possible changes and there can be no assurance that these changes will not have a significant impact on the presentation of Yuexiu REIT's financial statements or on Yuexiu REIT's financial condition and results of operations. In addition, such changes may adversely affect the ability of Yuexiu REIT to make distributions to Unitholders.

RISKS RELATING TO INVESTMENT IN THE UNITS**32. The net asset value per Unit will be diluted if further issues of the Units are priced below the then net asset value per Unit**

Based on the Rights Issue Subscription Price, the pro forma net asset value per Unit will be diluted following Rights Issue Completion. Since the Rights Issue Subscription Price of HKD3.20 per Unit represents a discount of 39.3% to the net asset value per Unit of approximately HKD5.28 per Unit as at 30 June 2021, Unitholders should note that the net asset value per Unit would likely be diluted.

The Trust Deed also contemplates that new issues of Units may occur, the issue price for which may be above, at or below the then current net asset value per Unit. Where new Units are issued at less than the then current net asset value per Unit, the net asset value per Unit will be diluted.

1. RESPONSIBILITY STATEMENTS

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Circular (other than the information relating to Yue Xiu and GZYG) and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this Circular have been arrived at after due and careful consideration and there are no other facts not contained in this Circular, the omission of which would make any statements in this Circular misleading.

The directors of Yue Xiu, Mr Zhang Zhaoxing, Mr Wu Shanghui, Ms Chen Shu, Mr Tan Yue, Mr Chen Ping and Mr Liang Yuxing jointly and severally accept full responsibility for the accuracy of the information contained in this Circular (other than the information relating to Yuexiu REIT and GZYG) and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this Circular have been arrived at after due and careful consideration and there are no other facts not contained in this Circular, the omission of which would make any statements in this Circular misleading.

The directors of GZYG, Mr Zhang Zhaoxing, Mr Wu Shanghui, Ms Chen Shu, Mr Tan Yue, Mr Chen Ping, Mr Liang Yuxing, Mr Zeng Yun and Mr Qian Siting jointly and severally accept full responsibility for the accuracy of the information contained in this Circular (other than the information relating to Yuexiu REIT and Yue Xiu) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Circular have been arrived at after due and careful consideration and there are no other facts not contained in this Circular, the omission of which would make any statements in this Circular misleading.

2. MARKET PRICES

- (a) The table below sets out the closing prices of the Units quoted on the Stock Exchange on: (i) the last trading day of each of the six calendar months immediately preceding 24 October 2021, being the date of the Announcement; (ii) the Last Trading Day; (iii) the last trading day of October 2021; and (iv) the Latest Practicable Date, respectively:

Month	Per Unit <i>HKD</i>
Closing Price	
30 April 2021	3.91
31 May 2021	4.11
30 June 2021	4.00
30 July 2021	3.88
31 August 2021	4.07
30 September 2021	3.66
22 October 2021 (being the Last Trading Day)	3.67
29 October 2021	3.39
10 November 2021 (being the Latest Practicable Date)	3.34

- (b) The highest and the lowest closing price of the Units as quoted on the Stock Exchange during the Relevant Period (being the period starting from the date which is six months prior to the date of the Announcement up to and including the Latest Practicable Date) were HKD4.20 on 27 May 2021 and HKD3.28 on 26 October 2021, respectively.

3. SECURITIES OF YUEXIU REIT

As at the Latest Practicable Date, Yuexiu REIT has a total of 3,336,224,428 issued Units. Save for the 16,174,466 Units issued on 7 April 2021 and the 16,936,297 Units issued on 26 August 2021 for the payment of the Manager's fee pursuant to the Trust Deed, Yuexiu REIT has not issued any new Units since 31 December 2020, the date to which the latest published audited financial statements of Yuexiu REIT were made up, and up to the Latest Practicable Date.

Pursuant to and upon Rights Issue Completion, Yuexiu REIT will issue a total of 1,234,403,038 new Units, details of which are disclosed in section 5.2.20 headed "Financing of the Acquisition — Rights Issue — Illustrative pro forma unitholding structure" in this Circular. Pursuant to the Indebtedness Agreement (as amended by the Second Supplemental Indebtedness Agreement if its entry into is approved by Independent Unitholders at the EGM), it is expected that Yuexiu REIT will further issue the Deferred Units, being 410,808,584 Deferred Units, to Yuexiu Property (or YXP Nominee) to settle the remaining balance of the Guangzhou IFC Consideration. As at the Latest Practicable Date, Yuexiu REIT has no outstanding options, warrants, conversion rights affecting or securities convertible into Units and has not entered into any agreement for the issue of such options, warrants, conversion rights or convertible securities.

All the issued Units currently in issue rank *pari passu* with each other in all respects including the rights as to voting, dividends and capital.

The Rights Issue Units will, when issued and fully paid, will be free from all liens, charges, encumbrances and third-party rights, interests or claims of any nature whatsoever and rank *pari passu* in all respects with the other fully paid Units then in issue including the right to receive future distributions which may be declared, made or paid after the date of allotment of the Rights Issue.

The holders of the Rights Issue Units shall not be entitled to the Special Distribution, but will be entitled to the final distribution for the period between 1 July 2021 and 31 December 2021 and the interim distribution for the period between 1 January 2022 and 30 June 2022, if any.

4. INFORMATION ON PARTIES TO THE ACQUISITION

(a) Yuexiu REIT and the Purchaser

Yuexiu REIT is a Hong Kong collective investment scheme constituted as a unit trust by the Trust Deed, and is authorised under section 104 of the SFO. Yuexiu REIT is principally engaged in the business of leasing of commercial properties in the PRC with the primary objective of generating long-term and steady distributions to Unitholders through actively managing its assets and expanding its operations. The manager of Yuexiu REIT is Yuexiu REIT Asset Management Limited, a subsidiary of Yuexiu Property, and the principal business activity of the Manager is being the manager of Yuexiu REIT.

The Purchaser is a SPV wholly-owned by Yuexiu REIT that is incorporated in the BVI and principally engages in investment holding. The Purchaser is currently the indirect holding company for Yuexiu REIT's investment in the Hangzhou Property and, after Acquisition Completion, the Purchaser will also be the indirect holding company for Yuexiu REIT's investment in the Property, which investments will be held, and may be sold, by the Purchaser, independently of each other.

(b) The Vendor, Target Company, Intermediary Entities and Project Companies

The Vendor is incorporated in the BVI wholly-owned by Yuexiu Property and holds the entire equity interest in the Target Company. The Target Company is incorporated in the BVI and holds 100.0% of the Limited Liability Partnership indirectly through the Limited Partner, which in turn holds 100.0% of the General Partner and 90.0% of the Limited Liability Partnership. As at the Latest Practicable Date and prior to completion of the Reverse Merger, the Limited Liability Partnership and the General Partner hold 99.99% and 0.01% of the PRC Intermediary Companies, respectively, which hold the Project Companies. Following completion of the Reverse Merger, the Limited Liability Partnership and the General Partner will respectively hold 99.99% and 0.01% of the Project Companies, which are collectively the registered legal owners of the land use rights and ownership rights underlying the Property.

As advised by the PRC Legal Advisers, the business licences (營業執照) of the Project Companies state that the operating term of the Project Companies is for long term and do not specify the expiry date of such term. Except in certain events such as where its business licence is revoked or cancelled due to certain breaches of laws and regulations or where its legal status is extinguished under circumstances permitted by laws and regulations, the Project Companies may continue to exist and operate validly. As advised by the Manager's Tax Advisers, PricewaterhouseCoopers Limited, distributions to the Limited Partner will be subject to a withholding tax at the rate of 10% or 5% (in the case that preferential tax treatment could be applied successfully pursuant to the China-Hong Kong Double Tax Treaty). The PRC Legal Advisers have further advised that, under existing PRC foreign exchange regulations, there is no legal impediment on the remittance of distributions by the Limited Liability Partnership out of the PRC to the Limited Partner, provided that such remittance is made and tax-levied in accordance with the procedures set out under the relevant PRC foreign investment, tax and foreign exchange laws and regulations. However, there is no assurance that the PRC government will continue to gradually liberalise the level of control over cross-border RMB remittance in the future or that new PRC regulations restricting RMB remittance into or out of the PRC will not be promulgated in the future. In the event that the Reverse Merger cannot be completed, with respect to Intermediary Entities that are established under PRC laws: (i) for dividends, as long as the Intermediary Entities have profits, there is no legal or practical impediments to the remittance of dividends through the Intermediary Entities to Hong Kong; and (ii) for shareholder loan repayments (including principal and interest), there are no profit requirements.

To the best of the knowledge, information and belief of the Manager as at the Latest Practicable Date: (i) the Intermediary Entities are existing indirect subsidiaries of Yuexiu Property and are in the principal business activity of investment holding in the Property; (ii) the Target Company was an existing indirect subsidiary of Yuexiu Property and is in the principal business activity of investment

holding in the Property; (iii) the principal business activity of the Vendor is investment holding; and (iv) the principal business activities of the Project Companies are operation of self-owned property, property management, property related advisory service, hotel management, together with conference and exhibition service.

(c) Yuexiu Property

Yuexiu Property is a Hong Kong listed company (Stock Code: 123) principally engaged in property development and investment, mainly focusing on properties in Guangzhou, the Pearl River Delta, Yangtze River Delta, Bohai Rim Economic Zone and Central Region.

5. DIRECTORS AND SENIOR MANAGEMENT OF THE MANAGER

(a) Particulars of the Directors and the senior management of the Manager

The business address of the Directors and the senior management of the Manager is the same as the registered office of the Manager is located at 17B, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

(b) Biographies of the Directors

Executive Directors

Mr. LIN Deliang

Mr. Lin, aged 51, was appointed as Chairman of the Manager on 14 August 2018 and is an Executive Director, Chief Executive Officer and as one of the responsible officers licensed under the SFO (the “**Responsible Officers**”) and is authorized to carry out type 9 regulated activities.

Prior to joining the Manager, Mr. Lin participated in and was in charge of investment planning, sales and marketing programmes for various large scale residential and commercial properties of Yuexiu Property. After joining GCCDL in 1992, Mr. Lin held various managerial positions in the investment development department of GCCDL as well as in Xingye Real Estate Agent Co., Ltd. (being a subsidiary of Yuexiu Property) and Guangzhou Investment (HK Property) Company Limited. He was responsible for the operations management of properties located in, among others, Hong Kong, Macau, France and Singapore from 2003 to 2005. In 2006, Mr Lin was deputy general manager of Guangzhou Dongfang Hotel Group of GZYX (the “**Yue Xiu Group**”), responsible for financial revenue management, hotel brand development, and tourism affairs etc. Mr. Lin is a qualified Real Estate Appraiser of China, China Land Valuer and China Real Estate Agent.

After joining the Manager, Mr. Lin was responsible for organizing to implement Yuexiu REIT's acquisition of Guangzhou IFC and a series of major capital operation projects in Shanghai, Wuhan and Hangzhou since 2009. As a composite professional of "DOS" (develop, operate and securitise) in the real estate investment and securitization field, Mr. Lin has accumulated nearly 30 years of practical experience in large property positioning and planning, investment development, commercial operations, and capital operations.

Mr. Lin graduated from Jinan University in the PRC with professional studies in corporate management, and obtained a bachelor's degree in Economics. He completed a MBA postgraduate course at South China University of Technology from 2004 to 2005.

Ms. OU Haijing

Ms. OU Haijing, aged 44, is an Executive Director, and has been the Deputy Chief Executive Officer of the Manager since 26 April 2019 and one of the Manager's Responsible Officers licensed under the SFO since 27 September 2018.

Since October 2016, Ms. Ou has been the head of asset management, primarily responsible for project management including leasing, property operation and asset enhancement. Prior to this role, Ms. Ou was responsible for the internal governance and human resources management of the Manager from May 2009 to September 2016, and headed the investment team of the Manager from 2007 to 2009. Before joining the Manager, Ms. Ou was mainly engaged in the capital operations and had participated in various mergers and acquisitions of Yue Xiu Group, including the listing of Yuexiu REIT. Ms. Ou has over 10 years of experience in internal governance in Yuexiu REIT. She is now a licensed person under the SFO and is authorised to carry out regulated activities of type 9.

Ms. Ou graduated from Jinan University in the PRC with professional studies in international economics and trade and economic law, and obtained a bachelor's degree in Economics and a bachelor's degree in Law (i.e. a double degree). Subsequently, she completed postgraduate studies in Finance at the Lingnan College of Sun Yat-Sen University in 2003.

Non-Executive Directors

Mr. LI Feng

Mr. LI Feng, aged 53, is Non-Executive Director of the Manager. He is also an executive director of Yuexiu Property, chairman and an executive director of Yuexiu Transport, a non-executive director of Chong Hing Bank, chairman of Yuexiu Financial Holdings Limited and Yue Xiu Securities Holdings Limited, a director of Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (廣州越秀金融控股集團股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 000987), and a director of GCCDL.

Besides, Mr. Li is also the chief capital officer of Yue Xiu Group, mainly responsible for formulating and implementing major capital operation, organizing industrial development and financing coordination, upgrading the customer resource management, promoting and improving digital transformation of the whole group. Mr. Li holds the certificate in Major Administrative Decision-Making and Argumentation (廣州市重大行政決策論證專家) conferred by the Guangzhou Municipal Government. He is also the president of Association of Guangzhou Belt and Road Investment Enterprises, member of Guangzhou Housing Provident Fund Management Committee, director of Guangzhou People's Association for Friendship with Foreign Countries and vice-president of The Listed Companies Council, Hong Kong Chinese Enterprises Association. Mr. Li joined Yuexiu in December 2001, he is familiar with business of listed companies and the operations of capital markets, he was also involved in the successful listing of Yuexiu REIT, and has extensive practical experience in capital operations.

Mr. Li graduated from South China University of Technology and Jinan University, and obtained a Bachelor of Engineering, Master of Business Administration and the qualification of a Senior Engineer in China.

Mr. ZENG Zhizhao

Mr. Zeng Zhizhao, aged 43, was appointed as a Non-executive Director of the Manager on 4 March 2021. Mr. Zeng joined the Yue Xiu Group in July 2005 and is currently acting as the deputy general manager of Yuexiu Property, being responsible for the management of financial and capital operation of listed companies of the real estate sector within the Yue Xiu Group.

Mr. Zeng has extensive experience in capital operations. Mr. Zeng has held various positions with GZYY where he worked as, among others, deputy manager and senior manager and certain other positions of the capital department from July 2005 to April 2014, as deputy director of capital operations of the capital department from April 2014 to November 2015, as deputy general manager of the capital department from November 2015 to March 2019, and as general manager of the capital department from March 2019 to January 2021, where he was mainly responsible for organizing and implementation of major capital operations projects, co-ordination of investor relations of listed companies within the Yue Xiu Group, capital operations and post-investment management of the headquarters of Yue Xiu Group. Mr. Zeng was also involved in various capital operation projects including among others the acquisition of Guangzhou IFC by Yuexiu REIT, acquisition of Chong Hing Bank, and issuance of certain bonds.

Mr. Zeng received a bachelor's degree in International Finance in July 1999, a master's degree in Finance in July 2002, and a doctorate degree in Finance in July 2005, each from Xiamen University in Xiamen, PRC. He has been a certified public accountant in the PRC since June 2002. He has also obtained the qualification of financial economist in the PRC in December 2007 and the qualification of fund practitioner of Asset Management Association of China in May 2017.

*Independent Non-Executive Directors***Mr. CHAN Chi On, Derek**

Mr. Chan, aged 58, is an INED of the Manager.

Mr. Chan has over 30 years of experience in the financial services industry and is a co-author of a book on listing procedures and securities rules and regulation in Hong Kong.

Mr. Chan is currently the chairman of Halcyon Capital Limited and Halcyon Securities Limited, which are engaged in corporate finance and securities businesses in Hong Kong respectively. He worked for the Stock Exchange from 1989 to 1996 and was an executive director of Haitong International Securities Group Limited (Stock Code: 00665) (formerly known as Taifook Securities Group Limited), and had been the head of its corporate finance division for 16 years until the end of 2012.

Mr. Chan is also currently an independent non-executive director of Longfor Group Holdings Limited (Stock Code: 00960) and China Conch Venture Holdings Limited (Stock Code: 00586). The shares of the companies mentioned above are listed on the Stock Exchange.

Mr. Chan graduated from the Hong Kong University of Science and Technology with a master's degree in Business Administration in 1994 and from The University of Hong Kong with a bachelor's degree in Social Sciences (majoring in Economics) in 1985.

Mr. CHAN Chi Fai, Brian

Mr. Chan, aged 66, is an INED of the Manager.

Mr. Chan is currently also a director of the Hong Kong Parkview Group. He has been heavily involved in the overall development of the Hong Kong Parkview Group since he joined the group in 1990. With projects and investment properties in Hong Kong, the PRC, Singapore and the United Kingdom, the Hong Kong Parkview Group is principally engaged in property development and hospitality.

Prior to joining the Hong Kong Parkview Group, Mr. Chan worked in the banking sector from 1978 to 1989, the first 7 years of which was with a reputable international bank. The last position Mr. Chan held before leaving his banking career was as group financial controller of IBI Asia (Holding) Limited. During his 11 years in banking, Mr. Chan was involved in international banking operations, mergers and acquisitions as well as financial and risk management.

Mr. Chan is a director of Primeline Energy Holdings Inc., which is listed on the TSX Venture Exchange (Stock Code: PEH.V).

Mr. Chan is a certified public accountant with professional accounting qualifications in Hong Kong and the United Kingdom, and has a higher diploma in business studies from the Hong Kong Polytechnic University.

Mr. CHEUNG Yuk Tong

Mr. Cheung, aged 64, is an INED of the Manager.

Mr. Cheung joined Baker & McKenzie in 1982 and worked in the Chicago, Beijing, Shanghai and Hong Kong offices of the firm. He was a partner in the corporate group of Baker & McKenzie's Hong Kong office, and was co-head of its Hong Kong and China mergers and acquisitions practice until June 2013 when he ceased to be a partner of Baker & McKenzie. His practice was focused in the areas of mergers and acquisitions and corporate finance.

Mr. Cheung was a member of the Judging Panel for the Corporate Governance Excellence Awards organized by the Hong Kong Chamber of Listed Companies from 2012 to 2015. He was also a member of the Takeovers and Mergers Panel and the Takeovers Appeals Committee of the SFC from 2012 to 2014.

Mr. Cheung graduated from The University of Hong Kong with an LL.B. and a Postgraduate Certificate in Laws, and from the London School of Economics with an LL.M.. He was admitted as a solicitor in Hong Kong and England, and as an attorney-in-law in New York.

Mr. CHEN Xiaoou

Mr. Chen, aged 52, is an INED of the Manager.

Mr. Chen, has over 25 years of professional experience in large scale real estate asset management and investment, fund management, development, planning and design and international business operations. He has been living and working in the PRC, the United States, Hong Kong, Singapore and Australia for many years. He is the China Chapter Board Member of Asia Pacific Real Estate Association, Fellow of The Building Owners and Managers Association China (“BOMA”) and a BOMA-certified commercial real estate expert.

Mr. Chen is the chairman of F.O.G. Capital & Asset Management Corporation, and had been vice president, China, of CDPQ-Ivanhoe Cambridge. His past experience also includes an executive position in New World China Land, the China property flagship of New World Development Company Limited, a company listed on the Stock Exchange (Stock Code: 00017). He had worked as an architectural designer and urban planner in the United States. Mr. Chen's management record includes large scale mixed-use development, high-end residential, retail, office and hotel projects.

Mr. Chen is a visiting professor of Cheung Kong Graduate School of Business, and is also the MBA Mentor for The School of Business of Renmin University of China. He received an AMDP (Advanced Management Development Program in Real Estate) certificate from Harvard University Graduate School of Design in 2010, obtained a Master of Architecture degree from The University of New South Wales in Australia in 1999, and obtained a Bachelor of Architecture degree from Northwestern Polytechnical University in China in 1992.

(c) Biographies of the senior management of the Manager**Mr. LIN Deliang**

Mr. Lin is the Chairman, Chief Executive Officer, Executive Director and one of the Responsible Officers of the Manager. Information on his business and working experience have been set out in the section headed “Directors and Senior Management of the Manager — Biographies of the Directors — Executive Directors” above.

Ms. OU Haijing

Ms. OU is the Deputy Chief Executive Officer, an Executive Director and one of the Responsible Officers of the Manager. Information on her business and working experience have been set out in the section headed “Directors and Senior Management of the Manager — Biographies of the Directors — Executive Directors” above.

Mr. YU Tat Fung

Mr. Yu, aged 64, is the company secretary of the Manager and was appointed as the compliance manager of the Manager on 1 March 2010. He is also the group general legal counsel of Yue Xiu and is responsible for the company secretarial affairs and compliance of the Manager. From October 2004, Mr. Yu was the company secretary of both Yuexiu Property and Yuexiu Transport, and he has also been appointed as the company secretary of Yue Xiu since January 2014. Mr. Yu obtained a bachelor’s degree in social sciences from The University of Hong Kong in 1981. He attained the Solicitors’ Final Examination in England in 1983. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1986. He was also admitted to the Bar of the Province of British Columbia in Canada in 1995. Prior to joining Yuexiu Property in 1997, he was engaged in private practice with an emphasis on corporate and commercial law.

Mr. KWAN Chi Fai

Mr. Kwan, aged 59, is the Chief Financial Officer and one of the Responsible Officers of the Manager. He is responsible for the financial management of the Manager. Prior to joining Yue Xiu in January 2007, Mr. Kwan was the financial controller of two companies which are listed on the Stock Exchange. He has over 25 years of experience in finance, accounting and taxation.

Mr. Kwan is a member of Chartered Professional Accountants of Canada, the Hong Kong Institute of Certified Public Accountants and the Association of International Accountants. He obtained a master’s degree in Business Administration and a bachelor’s degree in Accounting from The University of Hong Kong.

Ms. YOU Quan

Ms. You, aged 51, is the general manager of the project development department of the Manager. She is mainly responsible for the capital technical alteration, risk control and facility management operations of the properties. Before joining the Manager at the end of 2018, Ms. You was a project manager of TaiKoo Hui Guangzhou Development Co., Ltd and the HVAC director of Guangzhou City Construction & Development Design Institute Co. Ltd. for nearly 10 years. She has successively held positions such as technology and design department director, design and engineering department deputy director, regional director, project management department general manager of subsidiaries of Yuexiu Property since 2010. She has rich experience in both engineering and operations management, involved in management of 5-star hotels like Four Seasons Hotel Guangzhou and super high-rise buildings and city level multi-functional commercial complexes like Guangzhou IFC and TaiKoo Hui.

Ms. You graduated from the HVAC, Gas and Refrigeration Department of Chongqing University of Architecture in 1995 with a master degree in engineering. She has a wide range of professional knowledge and is the holder of certified Public Utility Engineer (HVAC) qualification, senior HVAC engineer license, fire facility design certificate, building equipment engineer license.

Mr. YU Xinyuan, Philip

Mr. Yu, aged 52, is the Owner Representative of hotels and apartments of the Manager. Mr. Yu joined the Yuexiu Property since 2008, he was involved in the Four Seasons Hotel Guangzhou and Ascott Serviced Apartments management contracts negotiation and related preopening works for Guangzhou IFC projects. Mr. Yu joined the Manager in 2012, and was the deputy general manager of hotels and apartments department of the Manager. Before joining the Yuexiu Property, Mr. Yu had served as the department manager and general manager in domestic high-star level hotels. Mr. Yu has accumulated abundant experiences on hotel operations, preopening works and asset management.

Mr. Yu graduated from Quanzhou Huaqiao University in 1992 with a bachelor's degree in Economics. Mr. Yu is also the members of Hospitality Asset Managers Association in Asia Pacific and China Branch.

Mr. LIU Bihong

Mr. Liu, aged 49, is the general manager of the internal audit department and the deputy general manager of the compliance department of the Manager, and is also the deputy head of the legal department of Yue Xiu. He is mainly responsible for the examination of the correctness and completeness of the records of the operations and transactions and risk management and control, and also responsible for the prevention and management of PRC legal risks, and provides PRC legal support for the Manager's business and investment acquisitions. He assists in compliance work to ensure conformity with the requirements of the regulatory bodies such as the Stock Exchange and the SFC. He is also responsible for the corporate service of the Manager. Mr. Liu joined the GCCDL Group in 1999 and worked in legal department. He was involved in the successful listing of Yuexiu REIT.

Mr. Liu obtained a bachelor's degree in Engineering from Jilin University of Technology (吉林工業大學) in 1994 and graduated from the Sun Yat-sen University in 2005 with a Juris Master Degree. Mr. Liu has a wide range of professional knowledge and has gained professional qualifications successively in the PRC, including Chinese Lawyer Qualification (1996), Certified Public Accountant (1998), Enterprise Legal Consultant (2000) and the Qualification for Registered Tax Agent (2001).

Mr. CHEN Yongqin

Mr. Chen, aged 42, is currently the general manager of the finance department of the Manager and is responsible for the finance, taxation and fund management of the Manager. Mr. Chen joined GCCDL Group in 2005 and has successively held positions such as deputy manager and senior manager of the finance department of a subsidiary of GCCDL. He has over 15 years of experience in finance and auditing in the real estate industry. Mr. Chen graduated from the accounting department of Sun Yat-sen University in 2002 with a bachelor's degree in Management. Mr. Chen is a Chartered Management Accountant (CIMA), Certified Internal Auditor (CIA), U.S. Certified Information System Auditor (CISA), Certified Fraud Examiner, and U.S. Certified Risk Manager. Mr. Chen is also an associate member of Association of International Accountants (AAIA), member of Australia Institute of Public Accountants (IPA), member of U.K. Institute of Financial Accountants (IFA), member of International Forensic Certified Public Accountants Association and international affiliate of Hong Kong Institute of Certified Public Accountants (HKICPAIA).

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, in relation to Yuexiu REIT or any of its subsidiaries or associated companies, there is no service contract in force entered into between Yuexiu REIT and any of the Directors which: (a) (including both continuous and fixed term contracts) has been entered into or amended within six months before the date of the Announcement; (b) is a continuous contract with a notice period of 12 months or more; or (c) is a fixed term contract with more than 12 months to run irrespective of the notice period.

7. DISCLOSURE OF INTERESTS IN UNITS

(a) Interests held by the Manager and the Directors and chief executive officer

The REIT Code requires that connected persons of Yuexiu REIT shall disclose their interests in Units. In addition, under the provisions of the Trust Deed, Part XV of the SFO is also deemed to be applicable, among other things, to the Manager, the Directors and the chief executive of the Manager.

The interests and short positions held by Directors and chief executive officer of the Manager in the Units required to be recorded in the register kept by the Manager under Schedule 3 of the Trust Deed are set out below:

Interests and short positions in the Units:

Name of Director	Nature of Interest	As at the Latest Practicable Date	
		Beneficial interests in Units	Approximate % of interest
Mr. Lin Deliang ⁽¹⁾	—	Nil	—
Ms. Ou Haijing	Personal	1,000	0.000030%
Mr. Li Feng	Personal	1,825	0.000055%
Mr. Zeng Zhizhao	—	Nil	—
Mr. Chan Chi On, Derek	—	Nil	—
Mr. Chan Chi Fai, Brian	—	Nil	—
Mr. Cheung Yuk Tong	—	Nil	—
Mr. Chen Xiaou	—	Nil	—

Note:

(1) Mr. Lin Deliang is also the chief executive officer of the Manager.

(b) Interests held by Substantial Unitholders

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive officer of the Manager, companies and/or persons (other than a Director or chief executive officer of the Manager) who had interests or short positions in the Units and underlying Units which would fall to be disclosed to Yuexiu REIT under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of Unitholders kept by the Manager under Schedule 3 of the Trust Deed were as follows:

Long position in the Units and underlying Units:

Name of Substantial Unitholder	Nature of Interest	As at the Latest Practicable Date	
		Interests in Units	Approximate % of interest
GZYY ⁽¹⁾	Deemed	2,994,833,139 ⁽³⁾⁽⁵⁾	89.77% ⁽⁴⁾
	Total	2,994,833,139 ⁽³⁾⁽⁵⁾	89.77% ⁽⁴⁾
Yue Xiu	Beneficial	730,859,885 ⁽³⁾⁽⁵⁾	21.91%
	Deemed	2,263,973,254 ⁽³⁾⁽⁵⁾	67.86% ⁽⁴⁾
	Total	2,994,833,139 ⁽³⁾⁽⁵⁾	89.77% ⁽⁴⁾
Yuexiu Property ⁽²⁾	Beneficial	—	—
	Deemed	2,166,382,313 ⁽³⁾⁽⁶⁾	64.94% ⁽⁴⁾
	Total	2,166,382,313 ⁽³⁾⁽⁶⁾	64.94% ⁽⁴⁾
Dragon Yield	Beneficial	2,003,293,697 ⁽³⁾⁽⁶⁾	60.05% ⁽⁴⁾
	Deemed	—	—
	Total	2,003,293,697 ⁽³⁾⁽⁶⁾	60.05% ⁽⁴⁾

Note:

- (1) Further information in relation to interests of corporations controlled by GZYX as at the Latest Practicable Date:

Name of Controlled Corporation	Name of Controlling Shareholder	% Control	Direct interest (Y/N)	Number of Shares	
				Long Position	Short Position
Yue Xiu	GZYX	100.00	Y	730,859,885 ⁽⁵⁾	—
Yue Xiu	GZYX	100.00	N	2,263,973,254 ⁽³⁾⁽⁵⁾	—
Bosworth International Limited	Yue Xiu	100.00	Y	7,806,646 ⁽⁵⁾	—
Yuexiu Property	Yue Xiu	39.78	N	2,166,382,313 ⁽³⁾⁽⁵⁾	—
Dragon Yield	Yuexiu Property	100.00	Y	2,003,293,697 ⁽³⁾⁽⁶⁾	—
Yue Xiu International Investment Limited (“YXII”)	Yuexiu Property	100.00	Y	163,088,616 ⁽⁶⁾	—
Novena Pacific Limited	Yue Xiu	100.00	Y	1,937,463 ⁽⁵⁾	—
Morrison Pacific Limited	Yue Xiu	100.00	Y	541,317 ⁽⁵⁾	—
Greenwood Pacific Limited	Yue Xiu	100.00	Y	464,898 ⁽⁵⁾	—
Goldstock International Limited	Yue Xiu	100.00	Y	120,672 ⁽⁵⁾	—
Yuexiu Capital Holdings Limited	Yue Xiu	100.00	Y	84,940,000 ⁽⁵⁾	—
Yue Xiu Finance Company Limited	Yue Xiu	100.00	Y	1,779,945 ⁽⁵⁾	—

- (2) The deemed interest of Yuexiu Property as at the Latest Practicable Date in 2,166,382,313 Units were held through Dragon Yield and YXII, both are wholly-owned subsidiaries of Yuexiu Property.
- (3) It is expected that a further 410,808,584 Deferred Units will be issued, including an estimated approximately 81 million Deferred Units to be issued on 31 December 2021 at HKD4.00 per Unit, and a further sum of 329,808,584 Deferred Units on each of 31 December in 2022 and subsequent year-end date(s) thereafter will be issued at HKD3.861652 per Unit pursuant to the Second Supplemental Indebtedness Agreement. For further details, please refer to section 5.2.20 headed “Financing of the Acquisition — Rights Issue — Illustrative pro forma unitholding structure” in this Circular.
- (4) After deducting the unissued Deferred Units and the Right Issue Units to be underwritten and taken up or procured to be taken up by them pursuant to the Underwriting Agreement and the Irrevocable Undertakings, the approximate interest held by GZYX and Yue Xiu will be approximately 40.799%, while the approximate interest in Yuexiu REIT held by Yuexiu Property and Dragon Yield will be approximately 38.659% and 35.091%, respectively.
- (5) Yue Xiu is deemed to be interested in a total of up to 757,189,241 Rights Issue Units, being the aggregate of 730,822,457 Rights Issue Units underwritten by Yue Xiu pursuant to the Underwriting Agreement and 757,189,241 Rights Issue Units which Yue Xiu has irrevocable undertaken to (through itself and its relevant controlled corporations to the extent that they are direct Unitholders) take up, or to procure to be taken up, pursuant to the Irrevocable Undertakings given by Yue Xiu.
- (6) Yuexiu Property is deemed to be interested in 477,213,797 Rights Issue Units, being the aggregate number of Rights Issue Units which Yuexiu Property has irrevocably undertaken to take up or procure to be taken up pursuant to the Irrevocable Undertakings given by Yuexiu Property, among which 433,167,967 Rights Issue Units and 44,045,830 Rights Issue Units will be provisionally allotted to, and will be taken up or procured to be taken up by, Dragon Yield and YXII respectively (being the direct Unitholders of the relevant Units).

Save as disclosed above, the Manager is not aware of any connected persons of Yuexiu REIT holding any Units as at the Latest Practicable Date.

Save as disclosed in this Circular and as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Manager:

- (i) none of the Directors or the Unitholders with an interest in more than 5.0% of all Units in issue had an interest, direct or indirect, in the Acquisition;
- (ii) no person (other than a Director) is interested (or deemed to be interested in) Units, or holds any short position in Units, which were required to be disclosed to the Manager and the Stock Exchange pursuant to Divisions 2, 3 and 4 of Part XV of the SFO; and
- (iii) none of the Directors or chief executives of the Manager had any interests or short positions in the Units of Yuexiu REIT or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be disclosed to the Manager and the Stock Exchange pursuant to Divisions 7, 8 and 9 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), which the Trust Deed, subject to certain exceptions, deems to apply to the Directors and chief executive of the Manager, the Manager and each Unitholder and all persons claiming through or under them.

8. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND IN COMPETING BUSINESSES

Save as disclosed in this Circular, as at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which have been, since the date that the latest published audited accounts of Yuexiu REIT were prepared, acquired or disposed of by (or leased to) or are proposed to be acquired or disposed of by (or leased to) Yuexiu REIT;
- (b) none of the Directors was materially interested in any contract or arrangement entered into by Yuexiu REIT and subsisting at the date of this Circular which was significant in relation to Yuexiu REIT's business; and
- (c) none of the Directors or any of their associates had interests in a business which competes or is likely to compete, either directly or indirectly, with Yuexiu REIT's business.

9. STATEMENT IN RELATION TO FINANCIAL POSITION

The Manager confirms that, as at the Latest Practicable Date, there had not been any material adverse change in the financial or trading position of Yuexiu REIT since the date that the latest published audited accounts of Yuexiu REIT were prepared.

10. EXPERTS AND CONSENTS

Each of the Reporting Accountant, the Tax Advisers, the Independent Financial Adviser, the Market Consultant, the Independent Property Valuer, the Building Consultant, the PRC Legal Advisers, Standard Chartered Bank (Hong Kong) Limited, DBS Asia Capital Limited and Citigroup Global Markets Asia Limited has given and has not withdrawn its written consent to the inclusion and publication of its name in this Circular. Each of the parties above where relevant has also given their consent to the inclusion of its name in this Circular and/or its appendices and all references thereto, in the form and context in which they are included in this Circular.

The following are the qualifications of the experts (in alphabetical order) who have been named in this Circular and have given opinion or advice which are contained in this Circular.

Colliers International (Hong Kong) Limited	Independent Property Valuer
Cushman & Wakefield Limited	Market Consultant
King & Wood Mallesons	PRC Legal Advisers
PricewaterhouseCoopers	Certified Public Accountants
PricewaterhouseCoopers Limited	Tax Advisers
Savills Project Consultancy Limited	Building Consultant
Somerley Capital Limited	A licensed corporation under the SFO licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance)

As at the Latest Practicable Date, none of the above experts had any interest in Yuexiu REIT or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in Yuexiu REIT.

As at the Latest Practicable Date, none of the above experts had any direct or indirect interest in any assets which have been, since the date to which the latest published audited financial statements of Yuexiu REIT were made up (being 31 December 2020), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to Yuexiu REIT.

11. LITIGATION

As at the Latest Practicable Date, none of Yuexiu REIT, the Manager, the Trustee, the Target Company, Intermediary Entities or Project Companies were involved in any litigation or claims of material importance and, so far as the Directors were aware, no litigation or claims of material importance, by or against Yuexiu REIT, the Manager, the Trustee, the Target Company, Intermediary Entities or Project Companies was pending or threatened.

12. MATERIAL CONTRACTS

During the two years immediately preceding the date of the Announcement and up to and including the Latest Practicable Date, the following contracts (not being contracts in the ordinary course of business carried on or intended to be carried on by Yuexiu REIT) have been entered into by Yuexiu REIT and are or may be material:

- (a) the Acquisition Deed;
- (b) the Placing Agreement;
- (c) the Underwriting Agreement;
- (d) the sale and purchase agreement dated 13 November 2019 entered into between Guangzhou City Construction & Development Co., Ltd. (a connected person of Yuexiu REIT by virtue of it being an indirect 95% owned subsidiary thus an associate of Yuexiu Property, which is an associated company of Dragon Yield, a Substantial Unitholder of Yuexiu REIT) as seller, and Full Estates Investment Limited (an indirectly owned BVI business company of Yuexiu REIT) as purchaser, in relation to the acquisition of the 179 underground carpark spaces located at City Development Plaza at a consideration of RMB57,000,000;
- (e) the sale and purchase agreement dated 13 November 2019 entered into between Guangzhou City Construction & Development Co., Ltd. (a connected person of Yuexiu REIT by virtue of it being an indirect 95% owned subsidiary thus an associate of Yuexiu Property, which is an associated company of Dragon Yield, a Substantial Unitholder of Yuexiu REIT) as seller, and Moon King Limited (an indirectly owned BVI business company of Yuexiu REIT) as purchaser, in relation to the acquisition of the 110 underground carpark spaces located at Fortune Plaza at a consideration of RMB41,000,000;
- (f) in relation to the listing of the US\$1,500,000,000 guaranteed medium term notes programme (the “**MTN Programme**”):
 - (i) the amended and restated trust deed dated 22 January 2021 entered into between the MTN Issuer, the Manager, MTN Programme Guarantor, and the MTN Programme Trustee, which constitutes notes issued pursuant to the MTN Programme;
 - (ii) the agency agreement dated 22 January 2021 entered into between the MTN Issuer, the MTN Programme Guarantor, the MTN Programme Trustee, Citibank, N.A., London Branch as initial issuing and payment agent, Citicorp International Limited as lodging and paying agent and Citigroup Global Markets Europe AG as register, pursuant to which the notes under the MTN Programme will be issued from time to time;

- (iii) the dealer agreement dated 22 January 2021 entered into between the MTN Issuer, the Manager, and DBS Bank Ltd., CCB International Capital Limited, ABCI Capital Limited, Bank of China (Hong Kong) Limited, CLSA Limited, China International Capital Corporation Hong Kong Securities Limited, Chong Hing Bank Limited, CMB International Capital Limited, CMBC Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited and Yue Xiu Securities Company Limited as dealers and arrangers, pursuant to which the dealers or any of them may from time to time agree to subscribe for the notes under the MTN Programme;
- (iv) the subscription agreement dated 26 January 2021 entered into between the MTN Issuer, the Manager, and DBS Bank Ltd., CCB International Capital Limited, AMTD Global Markets Limited, Bank of Communications Co., Ltd. Hong Kong Branch, CLSA Limited, CMBC Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited, Yue Xiu Securities Company Limited, The Bank of East Asia, Limited, China Securities (International) Corporate Finance Company Limited, China International Capital Corporation Hong Kong Securities Limited, China CITIC Bank International Limited, Mizuho Securities Asia Limited, BOCOM International Securities Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, CEB International Capital Corporation Limited and Haitong International Securities Company Limited as the notes managers, under which the notes manager agreed severally and not jointly to subscribe for the aggregate principal amount of US\$400,000,000 2.65% guaranteed notes due 2026 (the “**MTN Programme 2021 Notes**”) under the MTN Programme and to pay the net subscription moneys therefor;
- (v) the pricing supplement dated 26 January 2021 which specified the issue details of the MTN Programme 2021 Notes under the MTN Programme; and
- (vi) the offering circular of Yuexiu REIT dated 22 January 2021 setting out the details of the MTN Programme.

13. MATERIAL ADVERSE CHANGE

The Directors confirm that they were not aware of any material adverse change in the financial and trading position of the Yuexiu REIT Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of Yuexiu REIT were made up to, up to and including the Latest Practicable Date.

14. ADDITIONAL DISCLOSURE UNDER THE TAKEOVERS CODE

- (a) As at the Latest Practicable Date, there was no agreement, arrangement or understanding pursuant to which the Units to be issued under the Rights Issue would be transferred, charged or pledged to any other persons;
- (b) As at the Latest Practicable Date, none of Yuexiu REIT and the Yuexiu REIT Associates have any interests in any shares of Yue Xiu or any convertible securities, warrants, options or derivatives in respect of and shares of Yue Xiu;
- (c) As at the Latest Practicable Date, save as disclosed in section 7 headed “Disclosure of Interests in Units” in this Appendix 8, no member of the Yuexiu Concert Group had any interest in, owned or controlled any Units or any convertible securities, warrants, options or derivatives in respect of the Units;
- (d) As at the Latest Practicable Date, save as disclosed in section 7 headed “Disclosure of Interests in Units” in this Appendix 8, none of the directors of Yue Xiu have any interests in any Units, or any convertible securities, warrants, options or derivatives in respect of the Units;
- (e) As at the Latest Practicable Date, save as disclosed in section 7 headed “Disclosure of interests in Units” in this Appendix 8, none of the Directors had any interests in any Units or convertible securities, warrants, options or derivatives in respect of the Units;
- (f) As disclosed in sections 5.3.2 headed “Financing of the Acquisition — Regulatory implications of the Rights Issue — Implications under the Takeovers Code and application for Whitewash Waiver”, 5.3.1 headed “Financing of the Acquisition — Regulatory implications of the Rights Issue — Implications under the REIT Code and the Listing Rules” and 12.5 headed “Regulatory Implications — Restrictions on voting” in this Circular, all of the Directors who are also Unitholders will abstain from voting at the EGM, therefore none of the Directors will vote for or against the resolutions to be proposed at the EGM to approve the Transaction Matters Requiring Approval as at the Latest Practicable Date;
- (g) As at the Latest Practicable Date, none of the Directors had any interests in any Units or any convertible securities, warranties, options or derivatives in respect of any shares of Yue Xiu;
- (h) As at the Latest Practicable Date, no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the EGM to approve the Transaction Matters Requiring Approval;
- (i) As at the Latest Practicable Date, save for the Acquisition, the Rights Issue, the Placing Agreement and the Underwriting Agreement, no member of the Yuexiu Concert Group had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person;

- (j) As at the Latest Practicable Date, no member of the Yuexiu Concert Group had borrowed or lent any Units, or any convertible securities, warrants, options or derivatives in respect of the Units;
- (k) As at the Latest Practicable Date, no agreement, arrangement or understanding (including any compensation arrangement) existed between any member of the Yuexiu Concert Group on the one hand, and any of the Directors, recent Directors, Unitholders or recent Unitholders having any connection with or dependence upon the Transaction Matters Requiring Approval on the other hand;
- (l) During the Relevant Period, none of Yuexiu REIT and the Yuexiu REIT Associates had dealt for value in any share or any convertible securities, warrants, options or derivatives in respect of any shares of Yue Xiu;
- (m) During the Relevant Period, none of the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of any shares of Yue Xiu;
- (n) During the Relevant Period, save for the entering into of the Placing Agreement and the Underwriting Agreement, none of (a) the Directors, (b) Yue Xiu and parties acting in concert with it; and (c) the directors of Yue Xiu had dealt for value in any Units or any convertible securities, warrants, options or derivatives in respect of the Units;
- (o) As at the Latest Practicable Date, save for: (a) DBS Bank Ltd., the holding company of DBS Asia Capital Limited, who held 53,300,000 Units on a proprietary basis; and (b) BOCI Securities Limited, a wholly-owned subsidiary of BOCI Asia Limited, who held 1,317 Units on a proprietary basis, none of the subsidiaries of Yuexiu REIT, pension fund of Yuexiu REIT or of a subsidiary of Yuexiu REIT or any person who is presumed to be acting in concert with Yuexiu REIT by virtue of class (5) of the definition of “acting in concert” or who is an associate of Yuexiu REIT by virtue of classes (2), (7) and (8) of the definition of “associate” in the Takeovers Code but excluding exempt principal traders and exempt fund managers, owned or controlled any Units, or any convertible securities, warrants, options or derivatives in respect of the Units;
- (p) As at the Latest Practicable Date, save for the parties to the Acquisition, the Rights Issue, the Placing Agreement and the Underwriting Agreement, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with Yuexiu REIT or any person who is presumed to be acting in concert with Yuexiu REIT by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of Yuexiu REIT by virtue of classes (2), (3), (4), (7) and (8) of the definition of associate under the Takeovers Code;

- (q) As at the Latest Practicable Date, there was no Units, or any convertible securities, warrants, options or derivatives in respect of the Units which were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with Yuexiu REIT or the Yuexiu REIT Associates;
- (r) As at the Latest Practicable Date, none of Yuexiu REIT, the Yuexiu REIT Associates or the Directors had borrowed or lent any Units, or any convertible securities, warrants, options or derivatives in respect of the Units;
- (s) As at the Latest Practicable Date, no benefit had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Acquisition and the Rights Issue and/or the Whitewash Waiver;
- (t) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Acquisition, the Rights Issue and/or the Whitewash Waiver or otherwise connected with the Acquisition, the Rights Issue and/or the Whitewash Waiver; and
- (u) Save for the Acquisition Deed, the Placing Agreement and the Underwriting Agreement, as at the Latest Practicable Date, there was no material contract entered into by Yue Xiu in which any Director had a material personal interest.

15. DOCUMENTS ON DISPLAY

The following documents will be available on: (i) the website of the SFC (<http://www.sfc.hk>); (ii) the website of the Stock Exchange (www.hkexnews.hk); and (iii) the website of Yuexiu REIT (<http://www.yuexiureit.com>) from the date of this Circular up to and including the date of the EGM:

- (a) the Trust Deed;
- (b) the Acquisition Deed;
- (c) the Placing Agreement;
- (d) the Underwriting Agreement;
- (e) the Second Supplemental Indebtedness Agreement;
- (f) the Yuexiu Leasing Framework Agreement;
- (g) the letter from the Independent Board Committee;
- (h) the letter from the Independent Financial Adviser;

- (i) the Accountant's Report;
- (j) the unaudited pro forma financial information of the Enlarged Group as set out in Appendix 4 to this Circular;
- (k) the Valuation Report on the Property as set out in Appendix 5A to this Circular;
- (l) the valuation report on the Existing Properties as set out in Appendix 5B to this Circular;
- (m) the Market Consultant Report for the Guangzhou property market as set out in Appendix 6 to this Circular;
- (n) the written consents referred to in the paragraph headed "Experts and Consents" in this Appendix; and
- (o) this Circular.

The Trust Deed will also be available for inspection at the registered office of the Manager for so long as Yuexiu REIT continues to be in existence.

16. MISCELLANEOUS

- (a) The company secretary of the Manager is Mr. Yu Tat Fung, solicitor of the High Court of Hong Kong.
- (b) The registered office of the Manager is located at 17B, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.
- (c) The Unit Registrar of Yuexiu REIT is Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The authorised representatives of the Manager are Mr. Lin Deliang and Mr. Yu Tat Fung.
- (e) The auditor of Yuexiu REIT is PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong.
- (f) The registered office of Yue Xiu is at 26/F., Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.
- (g) The English texts of this Circular shall prevail over the Chinese texts.

NOTICE OF EXTRAORDINARY GENERAL MEETING



越秀房地產投資信託基金

YUEXIU REAL ESTATE INVESTMENT TRUST

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))
(Stock code: 00405)

Managed by



越秀房託資產管理有限公司

YUEXIU REIT ASSET MANAGEMENT LIMITED

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Unitholders (“Unitholders”) of Yuexiu Real Estate Investment Trust (“**Yuexiu REIT**”) will be held at Plaza 1-4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 6 December 2021 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the resolutions below.

Words and expressions that are not expressly defined in this notice of extraordinary general meeting shall bear the same meaning as that defined in the circular to Unitholders dated 13 November 2021 (the “**Circular**”).

ORDINARY RESOLUTIONS

1. **THAT**, conditional upon Special Resolution no. 1 being passed, approval (where relevant, shall include approval by way of ratification) be and is hereby given for each of the Transaction Matters Requiring Approval (other than the Whitewash Waiver), being:
 - (a) the Acquisition (including the entry into of the Acquisition Deed) and the consummation of transactions contemplated under the Acquisition Deed, as more fully described in the Circular and on the terms and conditions set out in the Acquisition Deed;
 - (b) the entry into of the Underwriting Agreement and the consummation of transactions contemplated thereunder (including the subscription of the Untaken Rights Issue Units), as more fully described in the Circular and on the terms and conditions set out in the Underwriting Agreement;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) the entry into of the Placing Agreement and the consummation of transactions contemplated under thereunder (including the payment of placing commission and expenses to Yue Xiu Securities) as more fully described in the Circular and on the terms and conditions set out in the Placing Agreement; and
- (d) the Deferred Units Arrangement Modification (including the entry into of the Second Supplemental Indebtedness Agreement) and the consummation of transactions contemplated under the Second Supplemental Indebtedness Agreement as more fully described in the Circular and on the terms and conditions set out in the Second Supplemental Indebtedness Agreement,

in each case, as more fully described in the Circular.

AND THAT authorisation be granted to the Manager, any director of the Manager, the Trustee and any authorised signatory of the Trustee to complete and to do all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager, the Trustee or such authorised signatory of the Trustee, as the case may be, may consider expedient or necessary or in the interests of Yuexiu REIT to give effect to all matters in relation to the Transaction Matters Requiring Approval generally.

2. **THAT**, conditional upon Ordinary Resolution no. 1 being passed:

- (a) approval (where relevant, shall include approval by way of ratification) be and is hereby given for the CCPT Matters Requiring Approval, as more fully described in the Circular; and
- (b) authorisation be granted to the Manager, any director of the Manager, the Trustee and any authorised signatory of the Trustee to complete and to do all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager, the Trustee or such authorised signatory of the Trustee, as the case may be, may consider expedient or necessary or in the interests of Yuexiu REIT to give effect to all matters in relation to the CCPT Matters Requiring Approval generally.

SPECIAL RESOLUTION

1. **THAT**, subject to the granting of the Whitewash Waiver by the Executive and any conditions that may be imposed thereon:

- (a) approval (where relevant, shall include approval by way of ratification) be and is hereby given for the granting of the Whitewash Waiver; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) authorisation be granted to the Manager, any director of the Manager, the Trustee and any authorised signatory of the Trustee to complete and to do all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager, the Trustee or such authorised signatory of the Trustee, as the case may be, may consider expedient or necessary or in the interests of Yuexiu REIT to give effect to all matters in relation to the Whitewash Waiver and the transactions contemplated thereunder.

Yours faithfully,
By Order of the Board
Yuexiu REIT Asset Management Limited
(as Manager of Yuexiu Real Estate Investment Trust)
YU Tat Fung
Company Secretary

Hong Kong, 13 November 2021

Registered Office:

17B, Yue Xiu Building,
160 Lockhart Road,
Wanchai,
Hong Kong

Notes:

- (a) A Unitholder is entitled to attend and vote at the Extraordinary General Meeting and is entitled to appoint one or more proxies to attend and, on a poll, vote in his/her stead. The person appointed to act as a proxy need not be a Unitholder.
- (b) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the registered office of the Unit Registrar of Yuexiu REIT, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof. Completion and return of the proxy will not preclude you from attending and voting in person should you so wish. In the event that you attend the meeting or adjourned meeting (as the case may be) after having lodged a form of proxy, the form of proxy will be deemed to have been revoked.
- (c) Where there are joint registered Unitholders of a unit, any one of such Unitholders may vote at the meeting either personally or by proxy in respect of such unit as if he/she were solely entitled thereto, but if more than one of such Unitholders is present at the meeting personally or by proxy, that one of such Unitholders so present whose name stands first on the register of Unitholders of Yuexiu REIT in respect of such unit shall alone be entitled to vote in respect thereof.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) In order to determine which Unitholders will qualify to attend and vote at the Extraordinary General Meeting, the register of Unitholders of Yuexiu REIT will be closed from Tuesday, 30 November 2021 to Monday, 6 December 2021, both days inclusive, during which period no transfer of units will be registered. For those Unitholders who are not on the register of Unitholders, in order to be qualified to attend and vote at the Extraordinary General Meeting of Yuexiu REIT, all unit certificates accompanied by the duly completed transfer forms must be lodged with the Unit Registrar of Yuexiu REIT, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 29 November 2021.

As at the date of this notice, the board of Directors of the Manager is comprised as follows:

Executive Directors:

Mr. Lin Deliang (Chairman) and Ms. Ou Haijing

Non-executive Directors:

Mr. Li Feng and Mr. Zeng Zhizhao

*Independent Non-executive
Directors:*

*Mr. Chan Chi On, Derek, Mr. Chan Chi Fai, Brian, Mr.
Cheung Yuk Tong and Mr. Chen Xiaoou*